# PROSPECTUS

NICKEL MOUNTAIN GROUP AB (PUBL)

**LISTING OF 4,527,417 NEW SHARES IN NICKEL MOUNTAIN GROUP AB ISSUED IN CONNECTION WITH A SET OF ISSUE EXECUTED IN TWO TRANCHES. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO BUY, SUBSCRIBE OR SELL ANY SECURITIES DESCRIBED HEREIN. THE PROSPECTUS SERVES AS A LISTING PROSPECTUS ONLY AND NO SHARES OR OTHER SECURITIES ARE BEING OFFERED OR SOLD IN ANY JURISDICTION PURSUANT TO THIS PROSPECTUS.**

**MAY 2014**

NICKELMOUNTAIN

# IMPORTANT NOTICE

***Important prospectus information***

Please refer to chapter 15 for definitions of terms used throughout this Prospectus, which also apply to the preceding pages.

This Prospectus (the "Prospectus") has been prepared by Nickel Mountain Group AB (the "Company", "NMG" or the "Issuer", and together with its consolidated subsidiaries, the "Group") solely for use in connection with the listing on Oslo Børs of 4,527,417 new shares, each with a nominal value of SEK 0.5 (the "New Shares") to be issued in connection with a set off issue.

In order to facilitate registration of the New Shares with the VPS, the New Shares are registered in the name of the VPS Registrar. The VPS Registrar has registered the interest in the New Shares in the VPS (in Norwegian: *"depotbevis"*). Therefore, it is not the New Shares, but the interests in those New Shares issued by the VPS Registrar that are registered in the VPS and are listed on Oslo Børs. The VPS Registrar is registered as the legal owner of the New Shares in the shareholders' register which the Company is required to maintain pursuant to the laws of the Republic of Cyprus. References in this Prospectus to Shares being listed or traded on Oslo Børs shall, where the context so requires or permits, mean the VPS registered interests in those Shares as further described under section 10.8 "VPS Registration of the Shares" of this Prospectus.

An investment in the Company's shares (the "Shares"), including the New Shares involves inherent risks. Potential investors should carefully consider the risk factors set out in Section 2 of this Prospectus, in addition to the other information contained herein, before making an investment decision. An investment in the Company is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment.

This Prospectus has been prepared in accordance with the standards and requirements of the Swedish Financial Instruments Trading Act (Sw. lag (1991:980) om handel med finansiella instrument) (the "Trading Act") and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council.

This Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) (the "SFSA") pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Trading Act. Approval and registration by the SFSA does not imply that the SFSA guarantees that the factual information provided in this Prospectus is correct and complete.

The delivery of this Prospectus shall under no circumstance create any implication that the information about the Group contained herein is correct as of any time subsequent to the date of this Prospectus.

Unless otherwise indicated, the source of information included in this Prospectus is the Company. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult with its own legal adviser, business adviser or tax adviser as to legal, business and tax advice.

This Prospectus is subject to Swedish law. Any dispute arising in respect of this Prospectus is subject to the exclusive jurisdiction of the Sweden courts with Stockholm District Court as legal venue in the first instance.

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# 1 EXECUTIVE SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

| SECTION A – INTRODUCTIONS AND WARNINGS | | |
|---|---|---|
| A.1 | Introduction and warning | This summary should be read as introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor.<br><br>Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the EU and the EEA, have to bear the costs of translating the prospectus before the legal proceedings are initiated.<br><br>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities. |
| A.2 | Financial intermediaries | Not applicable. There are no financial intermediaries involved in this transaction. |

| SECTION B – ISSUER | | |
|---|---|---|
| B.1 | Legal and commercial name | Nickel Mountain Group AB (publ) |
| B.2 | Domicile, legal form, legislation and country of incorporation. | Nickel Mountain Group is a public company which was formed in Sweden. The board of directors' domicile is in Stockholm. The Company's legal form is a limited liability company and its operations are regulated by the Swedish Companies Act (2005:551). |
| B.3 | Main operations of the issuer | The group is an exploration company which conducts operations for development of the nickel project in Rönnbäcken, Sweden. |
| B.4a | Tendencies affecting the issuer and the industry in which it operates | The demand for nickel is growing, driven by the market for stainless steel, which accounts for 54% of nickel consumption in the USA and more than 60% in other countries. The next largest market is super alloys, consuming 10% of nickel production. Big consumers for Nickel are USA, Europe and Japan, despite the absence of a strong economic recovery. However the greatest growth in demand is in Asia and specifically China.<br><br>There are primarily two different types of Nickel deposits, laterites and sulphides, of which Rönnbäcken Nickel deposit is the latter type. Due to a shortage of discoveries of large sulphide nickel deposits in the last couple of decades, nickel companies turned increasingly to laterite resources and high pressure acid leach ("HPAL") technology to generate new supplies of nickel. |

| | | |
|---|---|---|
| | | However, there are major drawbacks associated with HPAL technology. A fair number of deposits are found in remote, tropical areas where power plants and infrastructure need to be built.<br><br>The processing technology is complex and is still under development for nickel extraction. The technology needs to be tailored to the mineralogy of the ore, in effect, each plant is a unique design. Unlike sulphide projects where only a mine and mill need to be built in order to have a sellable intermediate product, HPAL projects need at minimum, the mine, a hydromet plant and an acid plant or source of acid. For these reasons, the capital costs for HPAL plants are prohibitive with the cost of typical 60,000 tonnes per annum operations now breaching USD 4 billion. Energy consumption is high with these plants. As a result, these greenfield projects face long lead times and daunting capital expenditures for project development.<br><br>The Company is of the opinion that the market tends to increasingly focus on lower grades sulphide projects again as the production is based on proven technology and the capital expenditures related to the construction of a sulphide nickel project is low in relation to the investments in a laterite nickel mine. This development might benefit the interest for Nickel Mountain Group's Rönnbäcken project. |
| B.5 | Description of the Group and the issuer's position within the Group | Nickel Mountain Group is the parent company for the Group which consists of a parent company and four subsidiaries. These four subsidiaries in the Group are directly or indirectly wholly-owned subsidiaries of Nickel Mountain Group. |
| B.6 | Major shareholders, control of the Company and insiders | As of 1st of January 2014, the number of shareholders in the Company amounted to around 5,200. As of the same date, the largest shareholder was Altro Invest AB. with a shareholding equivalent to around 25 per cent of the votes and share capital. The second largest shareholder was Aroma Holding AS with a shareholding equivalent to around 2.3 per cent of the votes and share capital. No other shareholders exist, to the best knowledge of the Company who, directly or indirectly, held shares equivalent to 2.0 per cent or more of the votes and share capital. |

| B.7 | Summary of financial information and explanatory description | |
|---|---|---|

**Consolidated Income Statement**

| (SEK '000) | Full Year 2013 IFRS Audited | Full Year 2012 IFRS Audited | Full Year 2011 IFRS Audited |
|---|---|---|---|
| Revenue from sales | - | - | 5,848 |
| Other revenues | 8 | - | - |
| Other external expenses | -14,907 | -13,624 | -42,547 |
| Personnel expenses | -7,016 | -10,022 | -25,559 |
| Results form equity accounted particpations | -76 | -999 | -273 |
| **Operating result before depreciation and impairment losses** | **-21,991** | **-24,645** | **-62,531** |
| Depreciation and impairment loss on tangible and intangible assets | -131,134 | -126,229 | -168,850 |
| Financial revenue | 38 | 605 | 900 |
| Financial expenses | -788 | -252 | -5,094 |
| Total financial items | -750 | 353 | -4,194 |
| **Result before tax** | **-153,875** | **-150,521** | **-235,575** |
| Income tax | 43,686 | 29,031 | 49,631 |
| **Result for the period** | **-110,189** | **-121,490** | **-185,944** |
| *Result for the period attributable to:* | | | |
| Equity holders of the Parent Company | -110,088 | -121,450 | -181,708 |
| Non controlling interest | -101 | -40 | -4,236 |
| **Result for the period** | **-110,189** | **-121,490** | **-185,944** |

## Consolidated Balance Sheet

| (SEK '000) | Full Year 2013 IFRS Audited | Full Year 2012 IFRS Audited | Full Year 2011 IFRS Audited |
|---|---|---|---|
| **Assets** | | | |
| *Intangible fixed assets* | | | |
| Mineral interests | 110,113 | 218,489 | 326,991 |
| *Tangible fixed assets* | | | |
| Plant and machinery | 246 | 605 | 1,335 |
| *Long-term financial assets* | | | |
| Participation ni equity accounted companies | 283 | 434 | 1,433 |
| Long-term receivables | 31 | 31 | 31 |
| **Total fixed assets** | **110,673** | **219,559** | **329,790** |
| | | | |
| **Current Assets** | | | |
| Receivables on Alluvia Mining Ltd | 30,000 | - | - |
| Other receivables | 2,702 | 3,461 | 4,433 |
| Prepaid expenses | 208 | 591 | 452 |
| Cash and cash equivalents | 15,288 | 69,193 | 10,977 |
| **Total current assets** | **48,198** | **73,245** | **15,862** |
| | | | |
| **TOTAL ASSETS** | **158,871** | **292,804** | **345,652** |
| | | | |
| **EQUITY** | | | |
| *Equity attributable to equityholders of the parent company* | | | |
| Share capital | 45,437 | 45,437 | 12,982 |
| Other paid in capital | 1,174,207 | 1,175,737 | 1,107,044 |
| Reserves | 1,081 | 7,937 | 9,574 |
| Retained earnings and profit for the period | -1,096,021 | -985,860 | -848,462 |
| | 124,704 | 243,251 | 281,138 |
| Non controlling interest | 80 | 181 | -15,727 |
| **Total equity** | **124,784** | **243,432** | **265,411** |
| | | | |
| **Liabilities** | | | |
| Deferred tax liabilities | - | 34,087 | 63,119 |
| Other provisions | - | 1,018 | 2,996 |
| *Long term liabilities* | | | |
| Convertible loan | 5,000 | 5,000 | 5,000 |
| Interest bearing long term liabilities | - | - | - |
| Other long term liabilities | 4,931 | 1,155 | 1,276 |
| **Total long term liabilities** | **9,931** | **41,260** | **72,391** |
| | | | |
| **Current liabilities** | | | |
| Accounts payable | 2,925 | 6,261 | 3,984 |
| Other liabilities | 17,385 | 189 | 352 |
| Accrued expenses and prepaid income | 3,846 | 1,662 | 3,514 |
| **Total current liabilities** | **24,156** | **8,112** | **7,850** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | **158,871** | **292,804** | **345,652** |

## Consolidated Cash flow statement

| (SEK '000) | Full Year 2013 IFRS Audited | Full Year 2012 IFRS Audited | Full Year 2011 IFRS Audited |
|---|---|---|---|
| **Cash Flow from Operations** | | | |
| Result after financial items | -153,875 | -150,521 | -235,575 |
| Adjustments for items not included in cash flow | 134,054 | 122,278 | 191,106 |
| Change in inventories | - | - | 1,375 |
| Change in receivables | -49,245 | 865 | 11,448 |
| Change in liabilities | 3,117 | 261 | -17,914 |
| **Net cash flow from operations** | **-65,949** | **-27,117** | **-49,560** |
| **Cash Flow from investment activities** | | | |
| Purchase of tangible assets | - | 63 | - |
| Purchase of intagible assets | -3,129 | -18,460 | -21,580 |
| Sale of intangible assets | - | 2,072 | 500 |
| Sale of associated company | - | - | 500 |
| **Net cash flow from investment activities** | **-3,129** | **-16,325** | **-20,580** |
| **Cash Flow from financing activities** | | | |
| New share issue | -1,530 | 101,658 | 45,625 |
| Raised credits | 16,927 | - | 1,276 |
| Amortization of debt | -224 | - | -5,956 |
| **Net Cash Flow from financing activities** | **15,173** | **101,658** | **40,945** |
| **Net change in cash and cash equivalents** | **-53,905** | **58,216** | **-29,195** |
| Cash and cash equivalents at beginning of period | 69,193 | 10,977 | 40,157 |
| Currency exchange difference | - | - | 15 |
| **Cash and cash equivalents as at end of period** | **15,288** | **69,193** | **10,977** |

***The Financial Year 2013***

***Income statement***

Nickel Mountain reported limited revenues of SEK 8 thousand for the year ended 31 December 2013. The main part of the costs during the year 2013 is referable to administration, listing and legal costs related to the dispute with the former board. Retrenchments during the year had a positive affect on cost related to personnel. As a consequence of the former board’s mismanagement of the African portfolio of diamond projects, the licenses entered in to a default situation during the year resulting in that the company was forced to impair the entire value related to the African assets in the balance sheet amounting to SEK 110.9 million. In addition a bad debt related to a reversed purchase of Ghana Gold of SEK 50 million has been impaired, as a precautionary measure, with SEK 20 million

The positive tax amount reported is firstly a reversal of a provision related to deferred tax liabilities. The reversal occurs as a result of impairment of the assets that the provision is related to. In addition, NMG’s acquisition of the Swedish partnership mentioned in this report leads to a positive tax effect of MSEK 9.7 after transaction costs in the last quarter of 2013.

***Balance sheet***

At 31 December 2013, cash and cash equivalents amounted to SEK 15.3 million, compared to SEK 69.2 million at the end of 2012. The change was mainly due to the former board’s decision to pay the proposed purchase of the Ghana Gold AB company during the year in advance. SEK 50 million was paid to the seller Alluvia Mining Ltd in end of January 2013. The purchase was conditioned by an approval of a upcoming Extra General Meeting which voted against the proposed acquisition. The money that was paid has not been possible to recuperate form the seller despite that NMG received nothing in return.

Impairments of the African diamond portfolio have been implemented during the year resulting in a decrease in mineral interests from SEK 218.5 million, end of 2012 to SEK 110.1 million end of 2013.

Provisions related to a deferred tax have been reversed during the year as a result of that the projects that the provisions are related to have been, fully impaired.

Short term debts have increased during the year mainly as a result of raised credits from creditors in order to finance the continued existence for the company.

***Cash flow statement***
Net cash flow from operating activities for 2013 was SEK -65.9 million compared to SEK -27.1 million in 2012. The year was impacted by a negative cash flow from the purchase of Ghana Gold AB that was paid in advance at a price of SEK 50 million. Investments of SEK 3.1 million during the year is referable to the Rönnbäcken Nickel project, compared to SEK 18.5 million the previous year. The lower level of investments is mainly a result of the disorder within the company as a result of the former Board’s mismanagement of the company.

***The Financial Year 2012***

***Income statement***
The main part of the costs during the year 2012 is referable to administration, listing, rent, investor relation and communication consultancy and legal costs. Impairments during the 2012 are referable to diamond projects in South Africa as a result of a board decision to not continue to invest in those projects.

The positive tax amount reported is related to a reversal of a provision related to deferred tax liabilities. The reversal occurs as a result of impairment of the assets that the provision is related to, during 2012 the reversed provision was related to the South African part of the diamond portfolio.

***Balance sheet***
At 31 December 2012, cash and cash equivalents amounted to SEK 69,2 million, compared to SEK 11.0 million at the end of 2011. The change was mainly due to the rights issue that was carried out during 2012, raising SEK 101.7 million (net of transaction costs) to the company.

Impairments of the African diamond portfolio have been implemented during the year resulting in a decrease in mineral interests from SEK 327.0 million, end of 2011 to SEK 218.5 million end of 2012.

Provisions related to a deferred tax have been reversed during the year as a result of the projects that the provisions are related to partly impaired. The tax provision reversal during 2012 amounted to SEK 29.0 million.

***Cash flow statement***
Net cash flow from operating activities for 2012 was SEK -27.1 million compared to SEK -49.6 million in 2011. Investments of SEK 18.5 million during the year is mainly referable to the Rönnbäcken Nickel project, compared to SEK 21.6 million during the previous year. About SEK 6.9 million was invested within the business segment Diamond.
The Financial Year 2011

| | | |
|---|---|---|
| | | ***Income statement***<br>Revenue from sales during 2011 is attributable to sales of diamond from the Angolan Cassanguidi mine held by the Group. The mine was put on hold and later shut down by the company during 2011. As the Group was operating the Cassanguid mine in 2011 in combination with a lot more exploration activities related to the African diamond portfolio, the costs were a lot higher in 2011 than compared to 2013 and 2012. The main part of the costs during the year 2011 is referable to administration, listing, rent, investor relation and communication consultancy and legal costs. Personnel expenses included the staff at the Cassanguidi mine and a management team at the South African diamond head office that was acquired by NMG through the purchase of Efidium Ltd in 2010. Impairments during the 2011 are referable to diamond projects in Angola as a result of a board decision to not continue to invest in those projects.<br><br>The positive tax amount reported is related to a reversal of a provision related to deferred tax liabilities. The reversal occurs as a result of impairment of the assets that the provision was related to. In 2012 the reversed provision was related to the Cassanguidi diamond mine in Angola.<br><br>***Balance sheet***<br>At 31 December 2011, cash and cash equivalents amounted to SEK 11.0 million, compared to SEK 40.2 million at the end of 2010. The decrease in cash during 2011 was mainly a result of investments in the Nickel project Rönnbäcken during the year along with the funding of the day-to-day operations within the Group.<br><br>Impairments of the Angolan diamond mine in Cassanguidi was implemented during the year resulting in a decrease in mineral interests from SEK 396.2 million, beginning of 2011 to SEK 327.0 million end of 2011.<br><br>Provisions related to a deferred tax have been reversed during the year as a result of the projects that the provisions are related to partly impaired. The tax provision reversal during 2011 amounted to SEK 49.6 million.<br><br>***Cash flow statement***<br>Net cash flow from operating activities for 2011 was SEK -49.6 million compared to SEK -84.2 million in 2010. Investments of SEK 21.6 million during the year was mainly referable to the Rönnbäcken Nickel project, compared to SEK 56.1 million during the previous year. The lower level of investments was a result of the Group's diminishing focus on the diamond portfolio during 2011. |
| B.8 | Selected pro forma financial information | Not applicable. This Prospectus does not contain any pro forma financial information. |
| B.9 | Profit forecast | Not applicable. The Company has not provided a profit forecast in this prospectus. |
| B.10 | Remark from the auditors | Not applicable. There are no remarks in the auditors' report. |
| B.11 | Insufficient working capital | As of the date of this Prospectus the Company have sufficient working capital to cover present already committed expenditures and investments for a period of 12 months. |

| SECTION C - SECURITIES | | |
|---|---|---|
| C.1 | Type and class of security | The Company completed a first tranche of a set off share issue of 3,052,798 ordinary shares of the Company directed towards Norwegian creditors on the January 27th 2014. The set off issue was made at a subscription price of NOK 3.80 per share.<br><br>A second tranche of a set off issue will follow the approval and registration of this prospectus of an additional 1,474,619 shares. The second set off tranche will be made at a subscription price of SEK 3.80. |
| C.2 | Denomination | The new shares are denominated in SEK |
| C.3 | Total number of shares in the Company | As of the date of this Prospectus, the Company has a total of 21,227,721 shares issued and outstanding, including the New Shares issued under the first tranche of the set off issue described in this prospectus. An additional 1,474,619 shares will be added after the approval and registration of this prospectus. The total amount of shares post the transactions described in this document will be 22,702,340. The Shares' nominal value is SEK 0.50, and hence the Company's share capital will be SEK 11,351,170 |
| C.4 | Rights attached to the securities | The Company has one class of shares, and all shares give equal rights in every respect. Each share is entitled to one vote at a general meeting of the shareholders of the Company, and no shareholders enjoy different voting rights. |
| C.5 | Restriction on the free transferability | Not applicable. The shares are not subject to any limitations of transferability. |
| C.6 | Admission to trading | The Company's Shares are listed on Oslo Børs under the ticker-code "NMG". All of the 4,527,417 new Shares under the set off issue will be issued and registered on a ISIN SE0002214528 pending approval of this Prospectus and will be listed and tradable on Oslo Børs immediately thereafter. |
| C.7 | Dividend policy | The Company's primary objective is to add value for the Company's shareholder and employees through continued investment in business activities that create profitable and long-term production growth.<br>Over time, the total return to shareholders is expected to become attributable more to the increase in share price than to dividends received.<br>The Company has not declared any dividends so far in the history of the company. |

| SECTION D – RISKS | | |
|---|---|---|
| D.1 | Significant risks associated to the issuer or the industry | Before an investor decides to subscribe for New Shares, it is important to carefully analyse the risks that are associated with the Company and the industry in which the Company operates. A number of risks are presented below which may have an impact on the Company's business, profit and/or financial development.<br><br>Below follows a enumeration of the risks considered most material by the Company:<br><br>***Minerals and Metal prices***<br><br>The Company has no control over mineral, diamond or metal prices, which can be affected by numerous factors including international economic and political trends, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased or |

decreased production due to changes in extraction and production methods. The effect of these factors on the price of precious and base minerals and metals, and therefore the future economic viability of any of the Company's exploration projects, cannot be accurately predicted.

***Exploration risks***

The Company's existing activities are primarily directed towards exploration for and development of mineral and metal deposits. Mining operations generally involve a high degree of risks.

The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of mineral and metal deposits. These include but are not limited to, rock bursts, cave-ins, adverse weather conditions, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk are and will be taken, operations are subject to risks which may result in environmental pollution and consequent liability.

The exploration for and development of mineral and metal deposits, involve significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation.

Whether a mineral or a metal deposit will be commercially viable depends on a number of factors, some of which are, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, commodity prices which are highly cyclical, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The Company's projects are in the early stages. Expenditures made by the Company or initial drilling results are no guarantee for further developments or discoveries of profitable commercial mining operations. Lack of availability of drilling rigs could cause increased project expenditures and /or project delays.

***Risk of inaccurate estimates***

There are considerable uncertainty factors in estimating the size and value of mineral and /or metal reserves. There are numerous uncertainties inherent in estimating mineral and/or metal reserves and mineral and/or metal resources, including any factors beyond the Company's control. The reservoir technique is a subjective and imprecise process where the estimate of the accumulation of mineral/metal reserves in the property cannot be accurately measured. In order to evaluate the recoverable reserves, a number of geological, geophysical, technical and production data must be evaluated.

There can be no assurance that recoveries derived from small scale laboratory tests will be duplicated in larger scale tests, under on-site conditions or during production. The evaluation may later prove to be inaccurate, and estimated reserves may therefore be adjusted downward or upward.

| | | |
|---|---|---|
| | | Further, fluctuation of commodity prices, results in drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate of mineral and/or metal reserves or minerals and/or metal resources, may require revision of such estimates. The actual volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral and/or metal reserves and mineral and/or metal resources, or of the Company's ability to extract such reserves, could have a material adverse effect on the<br><br>***Mining Operations***<br><br>Mining operations involve a high degree of risk. Nickel Mountain Resources' operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of base or precious metals, including, without limitation, environmental hazards, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, slope stability problems, flooding, fires, hazardous weather conditions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability.<br><br>Nickel Mountains' exploration, development and production operations may be further hampered by additional hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.<br><br>There may be risks relevant to the Company and the industry that are not known to the Company at this time. For information about risks see section 2 on page 15 an onwards. |
| D.2 | Significant risks associated to the securities | The NMG share price could experience substantial fluctuations caused by a number of factors. Many of these will be outside the Company's control and may be independent of its operational and financial development.<br><br>***Financial risk - Requirement for New Capital and Additional Financing***<br><br>The development of the Company's properties, licenses, claims and pre-claims will depend upon the Company's ability to obtain financing through equity financing, debt financing, project financing or other means. There is no assurance that the Company will be successful in obtaining such required financing. Any additional equity financing may be dilutive to existing shareholders and debt financing, if available, may involve restrictions on financing operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, or delay or postpone indefinitely exploration, development or production in connection with any or all of the Company's projects.<br><br>Shareholders may be diluted if they are unable to participate in future offerings<br><br>The development of the Company's properties, licenses, claims and pre-claims will, inter alia, depend upon the Company's ability to obtain financing through equity financing. Shareholders may be unable to participate in future offerings, due to misapplication of shareholders pre-emptive rights in order to raise equity on short notice in the investor market, or for reasons relating to foreign securities laws or other factors. |

| SECTION E - OFFER | | |
|---|---|---|
| E.1 | Proceeds and expenses | Not applicable. This prospectus does not include any offer. |
| E.2a | Reasons for the offer and use of proceeds | The proceeds from the set off issue will be used to strengthen the Company's balance sheet and liquidity position. |
| E.3 | Terms and conditions | Not applicable. This prospectus does not contain any offer. |
| E.4 | Interest material to the issue/offer | A substantial part of the set off issue was directed towards close related parties to Nickel Mountain Group. See below table. Altro Invest is represented in the Board of NMG by Björn Rohdin and Stefan Persson, Renud Invest AS is owned by the deputy board member Erledn Dunér Henriksen. |

First set off tranche:

| | Number of shares | Proceeds (NOK) | % |
|---|---|---|---|
| Altro invest AB: | 1,148,393 | 4,363,893 | 37.6% |
| Svein Breivik | 153,703 | 584,071 | 5.0% |
| Renud Invest AS | 188,144 | 714,947 | 6.2% |
| Ole Weiss | 25,000 | 95,000 | 0.8% |
| **Total** | **1,515,240** | **5,757,912** | **49.6%** |
| *Others* | *1,537,558* | *5,842,720* | *50.4%* |
| **Total:** | **3,052,798** | **11,600,632** | **100.0%** |

Second set off tranche:

| | Number of shares | Proceeds (SEK) | % |
|---|---|---|---|
| Altro Invest AB | 1,179,580 | 4,482,404 | 80.0% |
| Renud Invest AS | 114,997 | 436,989 | 7.8% |
| Svein Breivik | 153,132 | 581,902 | 10.4% |
| Ole Weiss | 26,910 | 102,258 | 1.8% |
| **Total:** | **1,474,619** | **5,603,552** | **100.0%** |

| | | |
|---|---|---|
| E.5 | Selling shareholders and lock-up | Not applicable. No such agreements exist. |
| E.6 | Dilution | Nickel Mountain Group had 18,174,923 Shares outstanding prior to the set off issue. A total of 4,527,417 new Shares were issued as a result of the setoff issue, resulting in an dilution of approximately 20% for existing shareholders who did not participate in the set off issue. |
| E.7 | Estimated expenses charged to the investor | Not applicable. Expenses are not charged to the investors. |

# 2 RISK FACTORS

Investing in Nickel Mountain Group AB, like all other equity investments, involves inherited risks. Prospective investors should carefully consider each of the following risk factors and the other information contained in this Prospectus or incorporated hereto by reference before making an investment decision. The description of risks is based on the Company's current information and knowledge and the risk factors mentioned may have a significant bearing on the value of the Shares in the Company. If any of the following risks were to materialise, the business, financial condition and results of operations could be adversely affected.

The order in which the risk factors appear is not intended as an indication of the relative weight or importance thereof. Such information is presented as of the date hereof and is subject to change without notice.

## 2.1 Overview

The Company's risk profile is dependent on developments in the main areas of activity in which it is involved.

The Company's main interest is:

- Exploration, extraction and processing minerals and metals

Investments in the Company are considered speculative due to the nature of the Company's business and the present stage of its development. A prospective investor should carefully consider the information described in the Prospectus and the risk factors set out herein.

The risks discussed below are divided into the areas in which the Company operates. The Company's business is subject to significant risks and past performance is no guarantee of future performance.

## 2.2 Risks Related to Nickel Mountain Group

***General risks***

The Company's prospects, which are in the exploration stage, will only be developed if exploration is successful. Mineral and metal exploration involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The long-term profitability of the Company will in part depend on the cost and success of its exploration programs.

In order to eventually develop the resources and later extract the established resource, substantial expenditure in drilling is required to establish mineral and metal reserves. Substantial benefits may be derived from the discovery of a major mineral and metal resource, but mining is associated with substantial risk.,

***Minerals and Metal prices***

The Company has no control over mineral, diamond or metal prices, which can be affected by numerous factors including international economic and political trends, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased or decreased production due to changes in extraction and production methods. The effect of these factors on the price of precious and base minerals and metals, and therefore the future economic viability of any of the Company's exploration projects, cannot be accurately predicted.

***Macroeconomic fluctuations***

The Company is exposed to the economic cycle, and changes in the general economic situation could affect demand for the Company's products and services.

Market conditions may affect the Shares regardless of the Company's operating performance or the overall performance of the mineral and metal exploration and development sector. Accordingly, the market price of the Shares may not reflect the underlying value of the Company's net assets, and the price at which investors may dispose of their Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others of which may be outside the Company's control.

**Risks related to Future Sales of Minerals and Metals**

The Company is dependent on future sales of minerals and metals. Furthermore, the Company is a development-stage mining company, and several risk factors including those set out herein and other risk factors currently not known to the Company may result in delays for start of production of minerals or metals for sale or in a worst-case scenario result in the Company not being able to commence production as currently contemplated or at all.

***Exploration risks***

The Company's existing activities are primarily directed towards exploration for and development of mineral and metal deposits. Mining operations generally involve a high degree of risks. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of mineral and metal deposits. These include but are not limited to, rock bursts, cave-ins, adverse weather conditions, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk are and will be taken, operations are subject to risks which may result in environmental pollution and consequent liability.

The exploration for and development of mineral and metal deposits, involve significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation.

Whether a mineral or a metal deposit will be commercially viable depends on a number of factors, some of which are, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, commodity prices which are highly cyclical, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The Company's projects are in the early stages. Expenditures made by the Company or initial drilling results are no guarantee for further developments or discoveries of profitable commercial mining operations. Lack of availability of drilling rigs could cause increased project expenditures and /or project delays.

***Project Development and Operational Risks***

There are numerous risks that may occur during Project development and at any later operations. The risks factors elaborated under section 2 in relation to the project covers insecurity and risks related to reagent pricing, power pricing, permitting risks, land reclamation, land and water access, CSR-failures, human resources, nickel concentrate marketing, magnetite concentrate marketing, project delay, project operational risks, dam failure, general operating costs, exposure to dust and fibre and severe traffic accidents.

***Permits and licences***

The Company holds pre-claims, claims and mining rights in Sweden. Exploration permits and mining concessions are subject to certain conditions. There is a risk that conditions will remain to be fulfilled and that all necessary permits will be granted for the specific project.

***Risk of inaccurate estimates***

There are considerable uncertainty factors in estimating the size and value of mineral and /or metal reserves. There are numerous uncertainties inherent in estimating mineral and/or metal reserves and mineral and/or metal resources, including any factors beyond the Company's control. The reservoir technique is a subjective and imprecise process where the estimate of the accumulation of mineral/metal reserves in the property cannot be accurately measured. In order to evaluate the recoverable reserves, a number of geological, geophysical, technical and production data must be evaluated.

There is a risk that recoveries derived from small scale laboratory tests will not be duplicated in larger scale tests, under on-site conditions or during production. The evaluation may later prove to be inaccurate, and estimated reserves may therefore be adjusted downward or upward.

Further, fluctuation of commodity prices, results in drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate of mineral and/or metal reserves or minerals and/or metal resources, may require revision of such estimates. The actual volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral and/or metal reserves and mineral and/or metal resources, or of the Company's ability to extract such reserves, could have a material adverse effect on the Company's results of operations and financial condition

***Uncertainty relating to inferred mineral and/or metal resources***

There is risk that inferred mineral and/or metal resources cannot be converted into mineral and/or metal reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to uncertainty of inferred mineral and/or metal resources, there is no assurance that inferred mineral and/or metal resources will be upgraded to proven and probable mineral and/or metal reserves as a result of continued exploration.

***Additional mineral and/or metal reserves***

Because mines have limited lives based on proven and probable mineral and/or reserves, the Company must continually replace and expand its mineral and/or metal reserves in order for a mine to continue production. The life-of-mine estimates for the Company's anticipated operations may not be correct, and ultimately, the Company's ability to maintain or increase its anticipated annual production will be dependent on its ability to bring new mines into production and/or to expand mineral and/or metal reserves at its then existing mines.

***Competition***

The minerals and metals industries are highly competitive in all its phases and the Company will be competing with many established companies, which may have more advantageous financial and technical resources. Further, the competitors of the Company have strong market power as a result of several factors, including diversification and reduction of risk, including geological, price and currency risks, increased financial strength facilitating major capital expenditure, greater integrations and the exploitation of economies of scale in technology and organisation, strong experience, increased infrastructure and reserves and strong brand recognition. The is a risk that this competition will have an adverse effect either now, or at some time in the future, on the Company's ability to acquire, explore, and develop its mineral and metals resource deposits.

The mining and metal industry is a global business with producers in several different countries. There is strong competition for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel. Such factors may influence the Company's ability to secure new exploration areas or recruit and retain staff.

***Dependence on Key Personnel***

The Company's development and prospects are dependent upon the continued services and performance of its senior management and other key personnel and consultants. Financial difficulties or other factors could adversely affect the Company's ability to retain key employees.

***Insurance and Uninsured Losses***

The Company's business is subject to a number of risks and hazards in general, including adverse environmental conditions, industrial accidents, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, snow falls and avalanches. Such occurrences could have material adverse effects on the Company's business, operating result or financial condition. Although the Company intends to obtain some insurance to protect against certain risks to the extent considered reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. Furthermore, insurance coverage may not continue to be available at economically feasible premiums, or at all. Losses arising from events that are not insured or not adequately insured, may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

***Health, Safety and Environmental (HSE) risks***

All phases of exploring, developing and producing minerals and metals present environmental risks and hazards and are subject to various environmental regulations. Environmental regulations provide for, among other things, restrictions and prohibitions on spills, emissions etc. The regulations may also require that mines and other facility sites are operated, maintained, abandoned and reclaimed in compliance with applicable regulations. There is a risk that environmental laws will result in a curtailment of production or a material increase in the costs of production, development or exploration activities.

***Financial risk - Requirement for New Capital and Additional Financing***

The development of the Company's properties, licenses, claims and pre-claims will depend upon the Company's ability to obtain financing through equity financing, debt financing, project financing or other means. There is a risk that the Company will fail in obtaining such required financing. Any additional equity financing may be dilutive to existing shareholders and debt financing, if available, may involve restrictions on financing operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, or delay or postpone indefinitely exploration, development or production in connection with any or all of the Company's projects.

***Interest rate risk***

Interest rate risk refers to the risk the Company is exposed to due to changes in the market's interest rate, which may affect the net profits. Nevertheless, the Company's risk exposure in this respect is small since the Company is fully financed through equity financing and with very limited bank financing. The majority of its liquid assets are placed in bank accounts in SEK and the Company does not make use of hedging instruments to minimize exposure to interest rate risks.

***Credit risk***

The Company considers that the following financial assets are exposed to credit risk: cash, accrued interest, receivables, prepaid expenses and deposits. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.
The Company does not currently generate any revenues from sales to customers, nor does it hold derivative instruments that would require a counterparty to fulfil a contractual obligation. The Company seeks to place its cash with reputable financial institutions and which it believes to be exposed to minimal credit risks at the current time. Nevertheless, current concerns surrounding financial institutions globally have increased the risk of a credit default for any of the major financial institutions, and any negative development may have an impact on the Company.

***Currency risk***

Currency risk refers to the risk that the value of a financial instrument may shift as a result of changes in currencies conversion rates. The Company's accounts are held in Swedish krone ("SEK"). Additionally, the Company conducts operations in other countries but most of the conduct of business is restricted to US Dollar. This foreign exchange exposure may affect the Company's results and the amount of liquid assets, since conversion exposures are not hedged.

As part of the Company's strategy to further develop and materialize its assets, the development of the Rönnbäcken project is a major focus. Most of the Net Proceeds obtained in the Offering are to be used to finance a Prefeasibility Study (PFS) of Rönnbäcken.

### *Environmental regulations in general*

All phases of the Company's operations are subject to environmental regulations in the jurisdictions in which it operates. Environmental legislation may evolve in a manner, which in the future may require stricter regulations, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is a risk that future changes in environmental regulations, if any, will adversely affect the Company's operations. Compliance with respect to environmental regulations, closure and other matters may involve significant costs and/or other liabilities. Non-Governmental Organizations, which are typically opposed to mining, may also from time to time criticize the Company's operations and development plans.

### *Mining Operations*

Mining operations involve a high degree of risk. Nickel Mountain Resources' operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of base or precious metals, including, without limitation, environmental hazards, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, slope stability problems, flooding, fires, hazardous weather conditions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability. Nickel Mountains' exploration, development and production operations may be further hampered by additional hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

### *Ore Hardness*

Serpentinised ores can be relatively hard, although not very abrasive. The Rönnbäcken Nickel Project ores, while dominated by antigorite, a serpentine mineral, also exhibit significant quantities of pyroxene, olivine, magnetite (harder) and chlorite (softer). The variation in mineralogy is expected to contribute to significant variation in ore hardness, with antigorite alone appearing to exhibit variable qualities in other deposits, including a fibrous character. Significant variation in ore hardness will affect throughput in grinding circuits, which in turn will affect the concentrate production rate, as well as the stability of the plant and possibly the flotation feed particle size distribution. Hence, it will be necessary to blend the ore as much as practically possible, in order to present maximum consistency in ore hardness to the grinding circuit. Ore blending can for example, be carried out practically by trucking run of mine ("ROM") ore to a blending pad, and laying the ore down in parallel rows. A loader then picks up the ore in rows perpendicular to the original rows, in order to feed the primary crusher, either by truck or directly. Whilst this practice adds to the mining cost, it is the cheapest form of blending and is easily managed.

### *Presence of Arsenic*

Arsenic tends to occur in minerals which are reasonably well recovered by the flotation process to the degree that upgrade factors can be significant. At the Rönnbäcken Nickel Project, some of the arsenic occurs as orcelite and maucherite, nickel and cobalt arsenides, making mineral processing separation not possible. Closed circuit testing to-date shows that upgrade factors of approximately 50 are achievable for total arsenic. Thus, there is the risk that levels in ore below the detection limit, such as 10 ppm, can show up as significant levels in concentrate, such as 500 ppm. Hence, it is recommended that ore assaying be performed to the lowest detection limit possible. Furthermore, median levels of 14 to 22ppm measured in ore to date imply that levels in concentrate can routinely exceed 1100 ppm. Arsenic tends to be distributed very irregularly in ultramafic deposits, similar to nuggets in gold ores. As such, ROM ore treated as is will cause spikes in input arsenic concentration, as well as in the concentrate. In order to alleviate potential marketing issues associated with spikes in arsenic content, it will be necessary to implement an ore blending strategy, as outlined above, using a ROM blending pad. To the extent available, the mining plan can also be used to smooth out variations in arsenic, as knowledge of the arsenic distribution increases. It should be noted that whilst concentrate customers invariably levy a penalty for elevated arsenic levels in concentrate, nickel refineries are well equipped to capture and fix arsenic into stable iron residues. Iron is always present in nickel matte, therefore, arsenic fixation is principally a question of good process control. Hence, the penalties, should they be invoked, should not significantly affect net revenues. As some refineries are better equipped in this regard, it is recommended that at least one customer is selected from amongst the group with superior capabilities in this regard.

***Other Impurities***

Impurities such as Pb and Zn are often associated with sulphide nickel deposits. At the Rönnbäcken Nickel Project these elements do not appear to be in sufficiently high concentration to require special treatment at downstream facilities. However, levels of mercury at <10 ppm in concentrate have been found, which will require removal downstream. As technology is commercially available and installed at several smelters, this is a manageable problem which will be reflected in commercial terms for concentrate. Other elements such as antimony and manganese have been noted at levels <500 ppm which should not incur significant commercial penalties. Chrome has been noted at levels <1000 ppm which should also be manageable at downstream smelters.

***Fibre***

Whilst chrysotile is well known for its fibrous properties, it has been documented that antigorite, a major constituent of this resource, can also exhibit fibrous tendencies. Since levels of 1-2% fibre in ore can affect slurry rheology, which in turn will decrease grinding efficiency and throughput, as well as flotation slurry viscosity and recovery, a fibre management strategy is likely to be required. In the first instance, mine planning is required to avoid spikes in fibre input to the process plant. This may entail stockpiling the high fibre areas of the ore body. Secondly, the ROM ore blending strategy, outlined above for hardness and arsenic, will also be useful in smoothing out variations in fibre content. Thirdly, dilution of the grinding and flotation slurries may be necessary to accommodate modest variations in mill feed fibre content. It should be noted, that the latter will affect residence time in the plant, and will also affect throughput if the fibre content is not well managed.

***Talc***

Talc is usually distributed in narrow veins in ultramafic deposits, so that its presence is not always detected. Hence, it is necessary to perform drilling at angles which cut across mineralization patterns. As talc is naturally hydrophobic, it tends to report to concentrate. It is talc's high magnesium content which causes downstream treatment issues since slag liquids temperatures are increased. Blending with low MgO concentrates, additional flux, or increased operating temperature are examples of strategies available to manage the issue. Similar to most of the processing risks, good mine planning and ore blending will do much to alleviate the talc processing risk. However, should average resource levels prove to be high enough, specific process design measures will be required to mitigate the effects. In the first instance, these include the use of larger quantities of acid and depressant, the promotion of nickel sulphide hydrophobicity, and the avoidance of large recirculating loads. If talc levels are extremely high, ore stockpiling will be required. To date little talc has been noted at the Rönnbäcken Nickel Project, but future drilling must be carefully planned to maximise the chance of detection.

***Low Grade Ore***

As with most deposits, the Rönnbäcken deposits exhibit some degrees of variation. While the Vinberget deposit is relatively uniform, the Rönnbäcksnäset and Sundsberget deposits appear to contain a low grade zone located in the centre or lower zone of the deposit. While this may pose some challenges for economic ore extraction, it is expected that more thorough drilling will better define the issue and allow for an optimised mine development plan. In addition, future drilling will still be allocated to defining additional resources in the immediate region, in order to increase the size of the resource base.

***Magnetite Grade***

As magnetite has only recently been identified as a prospective pay mineral, there is no direct assay database across the resource. Nevertheless, magnetic susceptibility values do exist and should be able to be calibrated to magnetite assay ($Fe^{2+}$ and/or Satmagan) as there are no other magnetic minerals of any significant volume. Hence a representative calibration program could be conducted to confirm the resource magnetite grade.

### *Ore Grain Size Distribution*

Mineralogical evaluation has currently defined relatively normal to fine grain sizes in the minerals of economic interest. Hence, lab-scale testwork has shown that relatively fine grinds tend to yield the highest concentrator recoveries. These tend to be associated with high recoveries of fine grained antigorite, which result in elevated levels of MgO in concentrate. Thus there is reason for further investigation of the mineralogy and flotation response of the Rönnbäcken ore with respect to grind size, mineral liberation and reagent regime through more systematic study. Historical pilot and recent lab results have shown that improvements are available.

### *Fine Grained Tailings*

The relatively fine grind require for processing is expected to impact on tailings dam design issues, such as increased drainage difficulties with build-up of hydraulic pressure, increased chance of clogging of dam filters, low bearing capacity on the top surface of the tailings dam, risk of fines loss with drainage water, dusting from the top surface during dry periods in the spring and fall, and vegetation difficulties, Investigations have begun to address these issues, with a number of counter-measures already identified. For example, fines loss through fracture zones in the bedrock basement will be evaluated by seismic refraction profiling, core drilling, hydraulic testing in boreholes and stability calculations.

### *Reagent Pricing*

Processing dominates total operating costs, and reagents represent the largest single operating cost. Since consumption or pricing could increase as more complete understanding of the reagent requirements is achieved with the proposed test program, it is important to test a wide cross section of the resource and optimise the reagent regime for technical performance and cost. In addition, options should be continued to be developed for price spike contingencies.

### *Power Pricing*

The Swedish power market is tied to the Nordic and European markets. Since the Rönnbäcken Nickel Project represents a potential consumer of a large power load in an area of oversupplied power, there is a good chance that reasonable power discount pricing can be achieved. Since power represents a significant operating cost input, the contract approach and negotiation must be handled carefully. Initial contract duration should extend to cover the payback period, e.g. 5 years.

### *Permitting Risks*

Nickel Mountain has yet to apply for various permits and related authorizations to develop and operate the Rönnbäcken Nickel Project. The process of permitting will involve the filing of a number of studies and applications with various authorities relating to, amongst other things, an exploitation concession on the Sundsberget deposit, an environmental permit, and a building permit for the construction and operation of a plant and related facilities, road access and power connections. While Nickel Mountain is not aware of any major impediments at this time, there is a risk that all of the necessary permits and approvals will not be forthcoming.

As described under the heading “Overview of Swedish Mining Law Relating to the Project – Appeals of Exploration Permits or Exploitation Concessions”, there is a pending judicial review of the Project’s exploitation concessions with the Supreme Administrative Court. Should the Supreme Administrative Court find that the Government’s decision to reject the appeals against the exploitation concessions conflicts with a rule of law, the Government’s decision will be revoked and the Government must try the appeals again.

### *Land Reclamation*

Although they vary, depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies, as well as companies with mining operations, in order to minimize long term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and to reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on Nickel Mountain in connection with its mineral exploration and exploitation, Nickel Mountain must allocate financial resources that might otherwise limit the use of financial resources for other uses.

***Land/Water Access Reclamation***

Some landowners may be reluctant to leave, and/or desire an unreasonable price for land. Provisions are available for forcing land expropriation, however this may lead to poor public relations. As the land and water access position must be settled to launch an application for an Environmental Permit, schedule and/or cost delays may be incurred unless skilful evaluation of stakeholder needs and negotiation of outcomes is achieved.

***CSR-Failures***

There is a reasonable chance that the Project will be looked upon as a role model for a modern mining venture incorporating Corporate Social Responsibility, leading to greater scrutiny and critical evaluation. Any failure in "walking the talk" would give rise to critical comments, loss of reputation and negative for the cooperation with local and regional authorities. This specific challenge can only be met by introducing and maintaining a relevant management system, based on clearly communicated visions and values, built on appropriate allocation of responsibilities and including principles for transparent stakeholder communication.

***Human Resources***

Within Sweden the new Mineral Act, together with the raw material boom market, has triggered increased volumes of exploration work and investments in ongoing mining operations. With several new projects expected to start up in the coming years, increased competition for mining engineers and skilled mining and ore dressing operators can be expected. The situation for engineers has been somewhat exacerbated by the fact that the mining industry experienced difficult years during the late 1980's and early 1990's resulting in decreased enrolments in technical high school and university mining related programs.

***Nickel Concentrate Marketing***

While the Project's concentrate product is expected to be quite high in nickel content, due to the absence of iron sulphides in the resource, the MgO grade will also be relatively high. Nevertheless, the next phase of metallurgical testing will be focused on systematic measures to reduce MgO grades for increased ease of smelter processing. Market research on the ability of existing smelters to blend the concentrate to satisfactory MgO levels is also being conducted. Splitting the concentrate to smelters would help to lessen any blending requirements.

***Magnetite Concentrate Marketing***

Magnetite at the Rönnbäcken Nickel Project appears to be closely associated with chromite and to a lesser degree with nickel. Other impurities such as phosphorous and sulphur are very low. While customers willing to accept the impurities appear to exist the commercial terms will be decisive for economic production. Achieving commercial grades requires ultra-fine grinding and subsequent separation – these need to be closely evaluated and separation techniques tested. The resulting fine particle size dictates whether pelletising or similar treatment is needed for marketing. Hence determining pelletising or pretreatment solutions will be the challenge to magnetite marketing. Increased focus on this task will be required during the next phase of work.

***Dam Failure***

Failures of dams may be costly and damaging to operations. It may force temporary closure of operations, incur significant costs for repair and result in demands for compensation due to loss of income and increased operational costs for the hydroelectric power generation in the downstream water system. At the Rönnbäcken Nickel Project, specifically challenging conditions are climate/weather driven, with large snow melt flows being a typical example, and oscillating reservoir levels another. In addition there is the challenge of mining in near proximity at Rönnbäcksnäset, where the mining activity may interact with the tailings dam activity.

***General Operating Costs***

Operating costs can rise (or fall) for a number of external reasons, including government regulations, safety concerns, labour market trends, regional economic developments and fuel prices. Hence management's ability to contain costs can be restricted to a certain degree, as mitigating measures will normally be available.

***Exposure to Dust and Fibre***

Whilst antigorite fibre does not appear to show the harmful effects of asbestos/chrysotile, mining, crushing and tailings storage activities can involve dry liberation of fine particles into the air, particularly under windy conditions. These conditions are commonly encountered at mining sites and industry standard practice is to keep material as wet as possible to avoid dry liberation. Education, training and diligent management are required to ensure safe conditions are maintained.

***Government Regulations and the Rönnbäcken Project and Nickel Mountain AB in particular***

Exploration and development activities and mining operations are subject to laws and regulations governing health and worker safety, employment standards, environmental matters, mine development, prospecting, mineral production, exports, taxes, labour standards, reclamation obligations and other matters. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits and agreements applicable to Nickel Mountain or its properties which could have a material adverse impact on Nickel Mountain's current exploration program and future development projects. Where required, obtaining necessary permits and licences can be a complex, time consuming process and there is a risk that required permits will not be obtainable on acceptable terms, in a timely manner, or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict Nickel Mountain from proceeding with the development of an exploration project or the operation or further development of a mine.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing interruption or closure of exploration, development or mining operations or material fines and penalties, including, but not limited to, corrective measures requiring capital expenditures, installation of additional equipment, remedial actions or other liabilities. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

In addition, amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on Nickel Mountain and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Mining and exploration activities are closely monitored and supervised by authorities, based on applicable mining laws and environmental regulations, for instance in Sweden the Mining Act and "Miljöbalken" (the Environmental Code). The road from finding a deposit to active mining is often long and arduous. There are many applications and approvals that have to be obtained during the process, and these can complicate, delay or stop the mining.

***Protection of Sami interests***

Due to the protection of Sami interests, special regulations may pertain to companies operating in the northern counties of Sweden. Protection of Sami interests may have negative impact on the Group's current and future operations and developments in this area.

***Environmental and Safety Regulations on the Rönnbäcken project***

Environmental laws and regulations affect the operations of Nickel Mountain Resources. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including air and water quality, mine reclamation, handling and disposal of waste and the promotion of occupational health and safety. These laws provide for the permit holder to limit or halt production for periods or permanently if compliance with issued environmental conditions cannot be reached. To continue operation after non-compliance may call for modification of installations and procedures leading to loss of production and/or increased investment and operational costs. Penalties and other liabilities for the violation of limiting conditions may apply as well as obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on Nickel Mountain Resources for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or non-compliance with environmental laws or regulations. To the extent that Nickel Mountain becomes subject to environmental liabilities, the satisfaction of any such liabilities would reduce funds otherwise available to Nickel Mountain and could have a material adverse effect on the Nickel Mountain. Nickel Mountain Resources intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making Nickel Mountain Resources' operations more expensive.

Compliance with environmental legislation may require significant expenditures, including expenditures for clean-up costs and damages arising from contaminating properties. In addition to current requirements, Nickel Mountain expects that additional environmental regulations will likely be implemented to protect the environment and quality of life, given issues of sustainable development and other similar requirements which governmental and supra-governmental organizations and other bodies have been pursuing. One significant issue currently under implementation in Sweden is the European Union's Mine Waste Directive. A new legislation on the use of chemicals (European Union's REACH Directive) is likewise under national implementation in member states and associated countries.

***Uninsurable Risks***

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and Nickel Mountain Resources may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate the funds available for acquisition of mineral prospects or exploration, increase costs to the company, reduce future profitability, if any, and/or lead to a decline in the value of the Shares.The Company's Exploitation Concessions and Exploration Permits Could be Affected by Events Outside the Company's Control

Nickel Mountain's exploration permits and exploitation concessions and surface lands on which Nickel Mountain is carrying out its activities may be subject to governmental intervention, third party land claims, rights of indigenous peoples living in the area affected by mining operations, and title may be affected by undetected defects. The existence thereof would have a material adverse effect on Nickel Mountain, its business and results of operations.

## 2.3 Risks Related to the Shares

***Volatility of the share price***

The trading price of the Shares could fluctuate significantly in response to quarterly variations in operating results, general economic outlook, adverse business developments, interest rate changes, changes in financial estimates by securities analysts, announcements with respect to commodity prices or competitors or changes to the regulatory environment in which the Company operates. Securities in mining and exploration companies have experienced substantial price volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved.In addition, stock markets have from time to time experienced significant price and volume fluctuations, which may be unrelated to company specific operating performance or prospects, but which affect the market price of securities. Furthermore, the Company's operating results and prospects may from time to time be weaker than the expectations of market analysts and investors. Any of these events could result in a material decline in the price of the Shares.

Market conditions may affect the Shares regardless of the Company's operating performance or the overall performance of the mineral exploration and development sector. Accordingly, the market price of the Shares may not reflect the underlying value of the Company's net assets, and the price at which investors may dispose of their Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others may be outside of the Company's control. The market price of the Shares could decline due to sales of a large number of Shares in the Company in the market or the perception that such sales could occur. Such sales could also make it more difficult for the Company to offer equity securities in the future at a time and a price that are deemed appropriate.

### *Shareholders may be diluted if they are unable to participate in future offerings*

The development of the Company's properties, licenses, claims and pre-claims will, inter alia, depend upon the Company's ability to obtain financing through equity financing. Shareholders may be unable to participate in future offerings, due to misapplication of shareholders pre-emptive rights in order to raise equity on short notice in the investor market, or for reasons relating to foreign securities laws or other factors.

### *Dividends*

The Company intends to retain its earnings, if any, to finance the growth and development of the business and does not intend to pay dividends on the Shares in the foreseeable future. Any return on and investment in the Shares will come from the appreciation, if any, in the value of the Shares. The payment of future dividends, if any, will be reviewed periodically by the Board of Directors and will depend upon, among other things, conditions then existing including among others earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions as well as other factors.

### *Corporate Law*

The Company is subject to its Articles of Association and Swedish law, which may differ from laws generally applicable to Norwegian corporations listed on the Oslo Stock Exchange including but not limited to corporate power of the board of directors as opposed to the shareholders, the board of director's ability to issue unlimited number of securities without the approval of the shareholders, election of directors, record dates for shareholders meetings, liability and indemnification of directors, majority required at the shareholders meetings for the resolutions to be voted by the shareholders, and the exercising of rights to Shares of the Company recorded in the Norwegian Central Security System (VPS) which are subject to the terms and conditions of the Registrar Agreement between the Company and the account manager.

### *Voting rights of the Shares*

For the purpose of Swedish law, the owner of the Shares registered in the VPS will have to exercise, indirectly through the Registrar as their nominee, all rights of ownership relating to the Shares. The investors registered as owners in the VPS must provide direction solely to the Registrar for the exercise of all rights attached to the Shares, and in particular, shareholders registered as such in the VPS will only be entitled to vote at general meetings of the Company if they have arranged for registration of entitlement to vote (Sw. Rösträttregistrering) in Euroclear through DnB at the latest five (5) business days (including Saturdays) prior to the general meeting and has notified the Company of his participation at the general meeting in accordance with the notice to the meeting. If the shareholder registered in the VPS does not arrange for such registration in Euroclear and/or does not notified the Company of his participation, such shareholder does not hold the right to vote at the general meeting.

It may be difficult for investors based in the United States of America to enforce civil liabilities predicated on US securities law against the Company, its affiliates, directors and officers

The Company is a limited liability company organised under the laws of Sweden. The directors of the Company and executives and certain of the experts named herein, reside in Sweden, Norway and other countries. As a result, it may not be possible for investors to affect service of process in other jurisdictions upon such persons or the Company or to enforce judgements on such persons or the Company in other jurisdictions.

# 3 STATEMENTS

## 3.1 Responsibility statement

We, the Board of Directors of Nickel Mountain Group AB (publ), hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contain no omissions likely to affect its import.

Stefan Persson
(Chairman)

| Björn Rohdin | Ole Weiss | Svein Breivik |
|---|---|---|

## 3.2 Information sourced from third parties

In certain sections of the Prospectus, information sourced from third parties has been reproduced. In such cases, the source of the information is always identified. Such third party information has been accurately reproduced. As far as the issuer is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## 4 CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and information in this Prospectus, including without limitation projections and expectations regarding the Company's future financial position, business strategy, plans and objectives, are forward-looking. Such forward-looking statements and information are based on the beliefs of the Company's management or assumptions based on information available to the Company and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiaries, or as the case may be, the industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, the words "anticipate", "believe", "projects", "forecast", "estimate", "intend", "may", "will", "would", "can", "could", "should" and "expect" and similar expressions, as they relate to the Company or its Management, are intended to identify forward-looking statements. Such forward-looking statements reflect the current views of the Company or its Management with respect to future events and are subject to certain risks, uncertainties and assumptions. The Company can give no assurance as to the correctness of such forward-looking statements.

Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, risks or uncertainties associated with the competitive nature of the markets in which the Company operates, global and regional conditions including those of the European Union, government regulations including taxes, changes in political events, force majeure events, exchange rate fluctuations and prices of the minerals and diamonds produced and explored by Company. Prospective investors are cautioned that forward looking statements are not guarantees of future performance and the Company's actual financial position, operating results and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward- looking statements contained in this Prospectus. These forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed elsewhere in this Prospectus and included among others, but not limited to the Company's products, technological development, growth management, relations with customers, obtaining permits, retaining permits and title to assets, availability of equipment, timing and amount of future production, mineral resources and reserves, the Company's managing of the risks of the aforementioned factors and, more generally, general economic and business conditions, some of which are discussed in more detail under section 2 "Risk Factors".

The Company cannot guarantee that intentions, beliefs or current expectations upon which its forward-looking statements are based, will occur. Should one or more of the risks or uncertainties mentioned above materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected. Except as required by applicable law, the Company does not intend, and does not assume any obligation to update the forward-looking statements included in this Prospectus as at the date hereof. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

# 5 THE SET OFF ISSUE

## 5.1 Overview of the set off issue

The Company completed a set off issue of 3,052,798 shares directed towards Norwegian creditors to settle their outstanding claim by way of share based repayment.

The set off issue was made at a subscription price of NOK 3.80 per share. Total gross proceeds from the set off issue were NOK 11.60 million.

The company raised a loan during 2013 to be set off in two tranches, the first one, described above, was set off against shares in beginning of 2014. The remaining part will be set off against new shares in the company following the approval and registration of this prospectus. The total amount borrowed under this agreement was NOK 17.2 million.

The second tranche is constituted by 1,474,619 shares to be set off against a loan of SEK 5,603 552. The subscription price under this agreement corresponds to SEK 3.80 per share

## 5.2 Resolution to issue the New Shares

The New Shares under the first set off tranche were approved for issue by unanimous decision by the Board of Directors at a meeting held on January 10th 2014 pursuant to an authorisation granted by the Company's extra general meeting on November 22nd 2013.

The amount set off corresponds to 11.8 MSEK, and the share capital increases by SEK 1,526,399.50 to SEK 10,613,860.50. Total number of shares post the issue increases from 18,174,922 to 21,227,721.

The New Shares under the second set off tranche were approved for issue by unanimous decision by the Board of Directors at a meeting held on May 26th 2014 pursuant to an authorisation granted by the Company's extra general meeting on November 22nd 2013.

## 5.3 Use of Net Proceeds

The net proceeds from this share issue will be used to fund the continued work towards the completion of the Prefeasibility study (“PFS”) for the Rönnbäcken Nickel project, general business purposes and overheads, held by Nickel Mountain Group. The remaining part of the Net Proceeds will be used to finance overheads, structure development and general business purposes of the rest of the Group.

Subject to shareholders’ and authorities’ approval, it is the Board’s intention to propose a distribution of Nickel Mountain Group’s shares in the subsidiary African Diamond to the shareholders of Nickel Mountain Group and to seek for a separate listing of the African Diamond AB shares on the Oslo or Stockholm Stock Exchange during 2014.

## 5.4 Order period and order process

The first set off issue of 3,052,798 shareswas announced through a stock exchange announcement on January 28th 2013. The set off issue was directed towards the existing creditors of a loan raised by the company in October/November 2013. Announcement of completion of the set off issue was published on January 28th 2013.

The second tranche was resolved by an extra general meeting held on May 8th 2014, on which the meeting approved the board’s proposal to issue shares to set off the remaining part of the loan raised during autumn 2013.

## 5.5 Share allocation

Allocation under the first tranche was made by the Company’s Board based on approval from creditors of the loan October/November 2013 to set off the claims against newly issued shares in the company.

The following investors were allocated more than 5% of the set off issue:

| | Number of shares | Proceeds (NOK) | % |
|---|---|---|---|
| Altro invest AB: | 1,148,393 | 4,363,893 | 37.6% |
| Renud Invest AS | 188,144 | 714,947 | 6.2% |
| Svein Breivik | 153,703 | 584,071 | 5.0% |
| **Total** | **1,490,240** | **5,662,912** | **48.8%** |
| *Others* | *1,562,558* | *5,937,720* | *51.2%* |
| **Total:** | **3,052,798** | **11,600,632** | **100.0%** |

The allocation of shares under the second set off tranche will be as follows:

| | Number of shares | Proceeds (SEK) | % |
|---|---|---|---|
| Altro Invest AB | 1,179,580 | 4,482,404 | 80.0% |
| Renud Invest AS | 114,997 | 436,989 | 7.8% |
| Svein Breivik | 153,132 | 581,902 | 10.4% |
| Ole Weiss | 26,910 | 102,258 | 1.8% |
| **Total:** | **1,474,619** | **5,603,552** | **100.0%** |

## 5.6 Publication of information in respect of the set off issue

The Company published all information in respect of the first set off tranche through Oslo Børs' electronic information system in announcements on January 28th 2014.

The second set off tranche will be communicated as soon as it is registered, on or about May 28th, through Oslo Børs' electronic information system in announcements.

## 5.7 Conditions

The set off issue was conditional upon valid resolution by the Company's Board of Directors to issue the New Shares allocated in the set off issue directed towards creditors under the October/November 2013 loan.

## 5.8 Completion and delivery

The set off issue under the first tranche has been completed and may no longer be revoked, suspended, reduced or withdrawn. All the New Shares have been fully subscribed, issued and paid for. The existing shareholders were not given preferential rights to subscribe for shares in the Company in order to be able to complete the set off issue at the necessary time.

The New Shares issued in connection with the set off issue were issued in accordance with the Board authorisation passed at the Board meeting held on January 20th 2013. The New Shares have been issued and registered on a separate ISIN SE0002214528 pending approval of this Prospectus and will be listed and tradable on Oslo Børs immediately thereafter.

The New Shares to be issued under the second tranche of the set off issue will be issued in accordance with the Board authorisation passed at the Board meeting held on May 26th 2014. The New Shares will be issued and registered on a separate ISIN SE0002214528 immediately following the approval of this Prospectus and will be listed and tradable on Oslo Børs thereafter.

Following the completion of the set off issue, the total number of issued Shares in the Company will be 22,702,340.

## 5.9 Expenses

The total expenses of the Private Placement, including the preparation of this Prospectus, are estimated to amount to approximately NOK 700 thousand, and the net proceeds of the two tranches of the set off issue are estimated to amount to approximately NOK 16,9 million.

## 5.10 Dilution

NMG had 18,174,923 Shares outstanding prior to the set off issue. A total of 3,052,798 new shares were issued under the first tranche of the set off issue, resulting in an immediate dilution of approximately 14% for existing shareholders who did not participate in the set off issue. An additional 1,474,619 shares is to be issued under the second tranche of the set off issue resulting in an additional dilution of about 7%.

## 5.11 Admission to trading and dealing arrangements

The Company's Shares are listed on Oslo Børs under the ticker-code "NMG". All of the 4,527,417 new Shares delivered in the set off issue will be issued and registered to be listed and tradable on Oslo Børs after the approval of the prospectuses.

The Company has not entered into any stabilisation agreements, market making agreements or similar agreements for trading of its shares on Oslo Børs. The Shares are not listed or traded on any other regulated market or stock exchange than Oslo Børs.

## 5.12 The rights of the New Shares

The New Shares issued in connection with the Private Placement rank pari passu with the Company's existing Shares, and have the same rights as the existing Shares as approved by the Company's general meeting after the issue of the Shares.

The New Shares were registered in the name of the VPS Registrar in the register of members of the Company on 27$^{th}$ January 2014, and will give rise to the equal rights as all other outstanding shares by the Company from said date.

## 5.13 Jurisdiction

The New Shares were issued pursuant to the Swedish Companies Act as it is a Swedish legal entity. The Registrar Agreement, which regulates the beneficial interest in the Shares and the registration of these in the VPS, is governed by Norwegian law.

# 6 PRESENTATION OF NICKEL MOUNTAIN GROUP

## 6.1 General

The legal entity of Nickel Mountain Group AB was founded in Sweden in 1983. The current activities within the field of mineral exploration and mining have been carried out since 1988. The Company changed its name to International Gold Exploration IGE AB during 1989, to IGE Resources AB in April 2010 and finally Nickel Mountain Group AB in December 2013.The Company's operations consisted of small-scale exploration during the initial years. The Shares were listed on the Oslo Stock Exchange in 1997 under the symbol "IGE". The listing in Norway was a natural choice given the location of its activities. Norway has a long and solid lasting history in the exploration and mining business. As the interest and profitability in global exploration and mining increased, so did the interest from the Swedish venture capital market.

Nickel Mountain Group is a Swedish public limited liability company registered with the Swedish Companies Register under registration number 556227-8043. The Company is regulated by the Swedish Limited Companies Act. The Articles of Association of the Company is included in Appendix 1. Nickel Mountain Group has its head office at Kungsgatan 44, SE-111 35 Stockholm, Sweden, with telephone number +46 (0)8 402 28 00 and facsimile number +46 (0)8 402 28 01.

The Nickel Mountain Group ("the Group") has a nickel project in Sweden. The group structure consists of a parent company with a subsidiary responsible for the exploration and development of the Nickel Project. In addition the company holds 3 subsidiaries that are dormant at the moment as a result of the mismanagement by the former board that resulted in a default situation in the Democratic Republic of Congo and South Africa.

Nickel Mountain Group is the Group's holding company whose primary focus is to be the shareholder for all group companies as well as being the main funding entity for the Group. Nickel Mountain Group' headquarter has no employees and is managed by a CEO on consultancy basis at present. The other employees of the Group are employed by the subsidiaries, and in total the number of employees are 3 (four). The rest of required mancraft is hired on a case by case basis providing the Company flexibility and transparent fixed costs.

The Group's activities and business are affected by access to funding, prices on minerals for which the Group has licences, supply and demand for the relevant minerals and successful exploration activities. Nickel Mountain Resources intends to market the Rönnbäcken concentrate to nickel smelters globally.

## 6.2 History and Development

The Shares of Nickel Mountain Group were listed on the Oslo Stock Exchange in 1997 under the ticker "IGE". The listing in Norway was a natural choice given the location of its activities. Norway has a long and solid history in the exploration and mining business. As the interest and profitability in global exploration and mining increased, so did the interest from the Swedish venture capital market. In the spring of 2005, Nickel Mountain Group listed its Shares on the NGM Stockholm Stock Exchange (the "NGM") in Sweden under the ticker "IGE". As a result of low trading activity on the NGM in combination with a heavy burden on work and costs referable to the parallel listing on the NGM, the Board decided to de-list the Company from the NGM during the spring 2009. The last trading day on the NGM was 5 June 2009.

Below is a summary of important events in the history of the Company:

- 1983: the legal entity, which later became Nickel Mountain Group, was founded.
- 1989: the entity changed its name and became International Gold Exploration IGE AB.
- 1997: Nickel Mountain Group was listed on the Oslo Stock Exchange.
- 1999: Nickel Mountain Group entered into a Joint Venture with North Atlantic Natural Resources including the development of the advanced Norrliden project.
- 2001: 50% of Björkdalsgruvan was acquired by Nickel Mountain Group. Nickel Mountain Group

restarted the production of gold in the mine.

- 2002: Nickel Mountain Group began producing gold in Lolgorien, Kenya.
- 2003: Nickel Mountain Group issued an option which gave the holder, MinMet Plc, the right to acquire Nickel Mountain Group' share of Björkdalsgruvan. The strike price was 18 million shares in MinMet Plc.
- 2003: MinMet exercised the option and bought the Björkdal mine from Nickel Mountain Group.
- 2004: Nickel Mountain Group decided to do a dividend of its remaining holding in MinMet and Lappland Goldminers AB to its shareholders.
- 2005: Nickel Mountain Group was listed on the NGM.
- 2006: Nickel Mountain Group entered into negotiations with Endiama, the state-owned diamond company in Angola, regarding a potential Joint Venture for exploration of diamonds in Lacage, Angola.
- 2007: Nickel Mountain Group was granted two licenses in Burundi comprising gold and vanadium
- 2007: Nickel Mountain Group was granted its first diamond license in Angola.
- 2007: Nickel Mountain Group transferred its mineral licenses in Sweden and Norway to its wholly owned subsidiary, Nickel Mountain Resources AB (formerly known as IGE Nordic AB). In connection with the transaction, Nickel Mountain Group sold 25.4% of the company and listed it on the Oslo Axess. Management was recruited to Nickel Mountain Resources in order to manage the Group's activities in Scandinavia.
- 2007: Nickel Mountain Group entered in a joint venture with the South African mining company, Goldplat Plc, comprising the development of 7 targets in south-western Kenya with potential of containing high grades of gold.
- 2008: During Autumn, preparatory work began towards starting diamond production in Luxinge, Angola.
- 2008: Nickel Mountain Group AB announced a voluntary offer to acquire all outstanding shares in Nickel Mountain Resources. Nickel Mountain Group acquired 99% (including the 74.6% already owned by the Company) of all outstanding shares in Nickel Mountain Resources. The EGM of Nickel Mountain on 12 February 2009 decided to de-list Nickel Mountain from Oslo Axess.
- 2008: Nickel Mountain Group continued its exploration of the Rönnbäcken Nickel Project with positive results. Results from more than 16,000 metres of drilling within the licence area indicated that the project had a bigger potential than Nickel Mountain Group initially projected.
- 2009: Nickel Mountain Group implemented cost reduction measures at its subsidiaries, Nickel Mountain Resources AB and IGE Burundi SA, through cuts in employment. In Burundi, Nickel Mountain Group continued to strive for large-scale nickel opportunities; all other operations were put on hold.
- 2009: In January Nickel Mountain Group began alluvial diamond production in Luxinge, Angola, and gold production in Lolgorien, Kenya.
- 2009: Nickel Mountain Group de-listed its shares from the NGM. Last day of trading was 5 June 2009.
- 2009: In April, Nickel Mountain Resources announced an independent mineral resource estimate compliant with National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101") for the Rönnbäcken Nickel Project, northern Sweden, prepared by Scott Wilson Roscoe Postle Associates Inc. Canada.
- 2009: In line with the increased cost reduction measures taken by the Group, Nickel Mountain Group decided to close down the operations in Burundi.
- 2009: On 4 June, Nickel Mountain Resources sold its interest in the Solberg mine in Gladhammar outside Västervik to Wiking Mineral AB for 2 million SEK.
- 2009: Nickel Mountain Group completed in September the sale of its 50% share of the small-

scale gold producing company, Kilimapesa Gold to Goldplat (Pty) Limited for United States dollars (“USD”) 2.7 million (of which USD 1.2 million was paid up-front, and the balance was payable in six (6) monthly amounts of USD 250,000 commencing with the issuance of Kilimapesa Gold’s mining licence by the authorities in Kenya.

- 2009: Nickel Mountain Group completed in October a share issue of 221,800,000 shares with a subscription price of SEK 0.29 per share.
- 2009: In November, Nickel Mountain Resources announced an independent NI 43-101 compliant Preliminary Assessment for the Rönnbäcken Nickel Project, northern Sweden, prepared by Scott Wilson Roscoe Postle Associates Inc. Canada. Indicated pre-tax Net Present Value (“NPV”) at the time of the announcement was USD 142 million.
- 2010: On the 22 January, Nickel Mountain Resources sold its 100% interest in the exploration licences comprising the Bidjovagge Gold Copper Project in the Finnmark plain, northern Norway to Arctic Gold AB for SEK2.4 million in cash in addition to shares in Arctic Gold AB constituting 20% of the company at the time of the agreement.
- 2010: In February, Nickel Mountain Group announced that the Company had entered into a share purchase agreement pursuant to which Nickel Mountain Group acquired all activities of Pangea through Pangea's subsidiary Efidium. A merger of the two companies’ activities created a significant diamond exploration and production company with resources spread across three Southern African countries. The transaction was completed on the 31 March 2010 and comprised the issuance of 495,399,057 new shares.
- 2010: In April, the entity changed its name from International Gold Exploration IGE AB to Nickel Mountain Group AB.
- 2010: On the 22 April, Nickel Mountain Group announced an updated the NI 43-101 mineral resource estimate by SRK Consulting (Sweden) AB (“SRK”) of Skellefteå, Sweden for the existing Rönnbäcksnäset and Vinberget deposits. Additional tonnage was added to the resource along with an upgrade of the Mineral Resource classification.
- 2010: On the 29 April the Company announced its first sale of diamonds produced within the Cassanguidi project in Angola. The subsidiary IGE Diamonds sold 3,407 carats of rough diamonds in Luanda, Angola. The sale yielded an average price of USD 162 per carat before sales taxes.
- 2010: On the 2 June, Nickel Mountain Group and Nickel Mountain Resources entered into a strategic partnership with Mitchell River Group (“MRG”) of Australia, whereby MRG would provide additional expertise, capabilities and technical resources to the development of Rönnbäcken Nickel Project.
- 2010: On the 23 June, two Exploitation Concessions for Rönnbäcken were granted by the Swedish Chief Mining Inspector.
- 2010: Nickel Mountain Group announced on the 25 June that it had received all necessary government approvals for its Luxinge diamond project in Angola. On this basis the Company signed a mining contract with the Angolan state-owned diamond company Endiama and commenced diamond production. Luxinge was the second alluvial diamond mine that had started production and sales of diamonds within the IGE Group.
- 2010: In August, the Geological Survey of Sweden classified the Rönnbäcken nickel deposits "an Area of National Interest for Mineral Extraction".
- 2010: On the 25 August, Nickel Mountain Group announced the first sale of diamonds from its partly owned Luxinge mine in Angola. A total of 6,045 carats (“cts”) of rough diamonds were sold in Luanda at an average price of USD 80 per carat.
- 2010: On the 3 December, Nickel Mountain Group announced that the Board of Directors had appointed Mr. Timothy George as interim Chairman until a General Meeting of the shareholders could elect a new Chairman of the Board for the Company. Mr. John Afseth, who had been the Company's Chairman since July 2009, had announced his decision to step down as Chairman due to the workload caused by his combined business engagements. Mr. Afseth also left the Company's Board of Directors.
- 2011: On the 4 January, Nickel Mountain Group announced that the Company was holding

discussions with its partners in the Luxinge diamond project in Angola with the purpose of withdrawing from the project. The diamond recoveries and grades have not met the expectations established by earlier bulk sampling results.

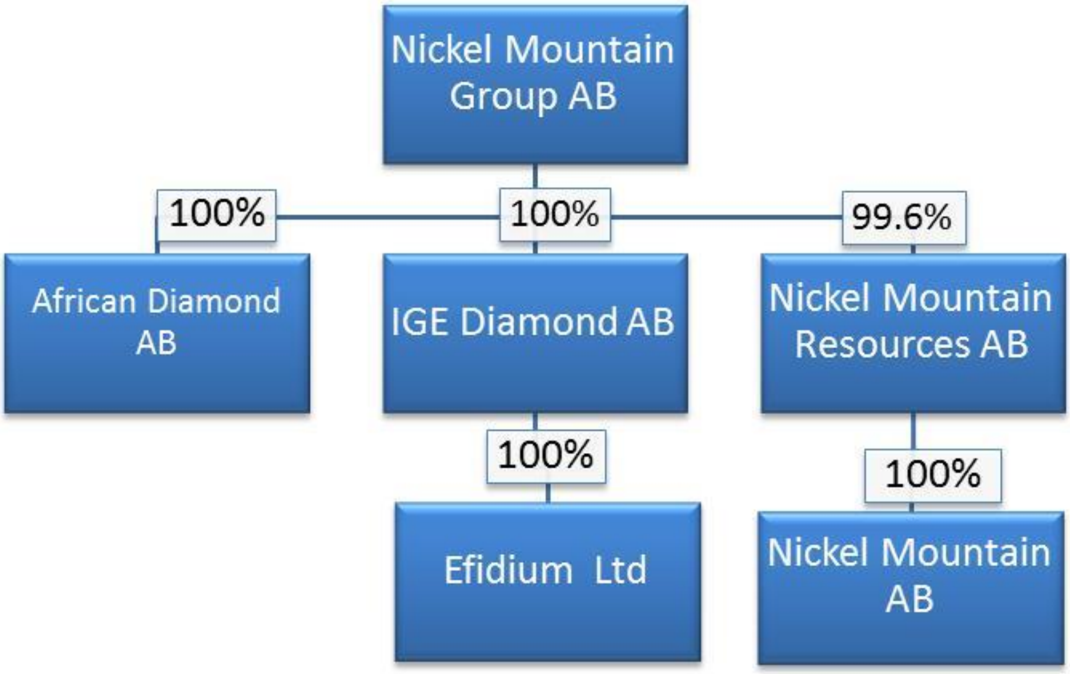
- 2011: On the 17 January, Nickel Mountain Group announced that the Company was pursuing a listing of its Rönnbäcken Nickel Project at the Toronto Stock Exchange.
- 2011: On the 20 January, Nickel Mountain Group announced that the Company had been granted the mining rights for its Bakerville diamond project in South Africa.
- 2011: On the 2 February, Nickel Mountain Group announced its fourth quarter and full year 2010 results. The fourth quarter results were strongly affected by a SEK 368 million write-down of the Company's diamond projects portfolio.
- 2011: On the 21 March, the Company announced that CEO Thomas Fellbom had resigned.
- 2011: On the 4 April, Nickel Mountain Group announced an update of the independent NI 43-101 compliant Preliminary Economic Assessment for the Rönnbäcken Nickel Project, northern Sweden, prepared by SRK of Skellefteå, Sweden. Indicated pre-tax NPV at the time of the announcement was USD 316 million.
- 2011: On the 14 April, Nickel Mountain Group announced the filing of the Preliminary Prospectus for the Initial Public Offering of the subsidiary Nickel Mountain Resources in Canada.
- 2011: On the 19 April an Extraordinary General Meeting of the Company was held and resolutions were passed for a Rights Issue.
- 2011: May, IGE issued a fully underwritten rights issue and listing at the Oslo Stock Exchange of 1.805.618.810 shares and 902.809.405 additional shares both at a subscription price of NOK 0.02 per share.
- 2011: On the 30 June, Nickel Mountain Group announced the withdrawal of the Initial Public Offering of the subsidiary Nickel Mountain Resources in Canada.
- 2011: IGE's Board of Directors initiated a cost reduction programme aiming to reduce IGE's operational costs significantly. The Board also initiated a review of the Company's business plan, adjusting operations towards early stage exploration, development and trading in commodity licenses. IGE will actively seek to divest of or engage investors in current diamond projects.
- 2011: A sale agreement for the Longatshimo project to Jindal DRC, a subsidiary of Indian multinational conglomerate Jindal Steel and Power Limited, was signed in August 2011. In accordance with the agreement, all on-site equipment was inspected and re-enabled and the cession of control of the project negotiated with the local partners. Jindal DRC subsequently defaulted on the payment schedule stipulated in the contract and, after failing to perform following the DRC election period,  was served with notice of breach of contract at the end of Q4 2011.
- 2011: IGE announced in September (date) that it had reached an agreement with Frontier Mining Projects Pty Ltd of South Africa enabling production in the Bakerville diamond mine. . The agreement meant that the Bakerville mine operation could move towards diamond production and potential cash flow generation without further investment from IGE. 2011: In (date) October, IGE entered into arrangements with an affiliated company of Asia Diamond Corporation (a group with various diamond businesses in Asia) regarding IGE's Angolan projects.  The arrangement may result in the recovery of a portion of the investment IGE had made; in these projects should they be re-opened by others. More importantly, the agreements aim to secure IGE from being exposed to any liabilities or overhead costs in Angola.
- 2011: On the 31 October, Nickel Mountain Group announced an update of the Resource Estimate for the Sundsberget deposit at the Rönnbäcken Nickel Project.  The Mineral Resource for the Sundsberget deposit was upgraded from the Inferred to the Indicated category and the deposit resource was increased by 111 million tonnes to 269.9 million tonnes with an average nickel grade of 0.170%.
- 2011: The Group announced on the 14 November a USD 729 million value increase to the Rönnbäcken Nickel Project with a 36% cash cost reduction provided by high-grade magnetite

iron concentrate by-product. IGE announced the results of recent metallurgical test-work which yielded a high-grade magnetite iron concentrate by-product from nickel flotation tailings. The magnetite by-product revenues raised the pre-tax NPV of the Rönnbäcken Nickel Project by USD 729 million and reduced the C1 cash cost from USD 5.55 per pound (US$12,236 pertonne) to USD 3.55 per pound (USD 7,826 per tonne) of nickel.

- 2011: On the 23 December, Nickel Mountain Resources submitted an application for exploitation concession for the Sundsberget deposit to the Mining Inspecorate of Sweden.
- 2012: On the 24 January, Nickel Mountain Group announced an update of the Mineral Resource Statement by SRK which incorporated results from drilling of the down dip extension of the Rönnbäcknäset deposit. The Mineral Resource contained 668 million tonnes in the Measured and Indicated category accounting for 97% of the entire resource estimate.
- 2012: In February, Nickel Mountain Resources sold its remaining interest in the Solvik Gold Project to Agnico-Eagle Sweden AB for a cash payment of USD 300,000.
- 2012: In April the Group concluded a fully underwritten rights issue of NOK 97 million. The rights issue was guaranteed by the Canadian private investment firm Waterton Global Resource Management specializing in the metals and mining sector. As a result of their guarantee they ended up as the single biggest shareholder with 29.7 % of the shares.
- 2012: Waterton appointed a new board in May 2012 and which decided that the company's focus from there on should be on the Rönnbäcken Nickel Project in Sweden. The African diamond portfolio was put on hold and measures were taken aiming to sell the diamond portfolio.
- 2012: Waterton sold their 29.7% ownership in NMG to the interanational exploration and mining Group Amarant Mining Ltd. Amarant appointed a new board on December 27th.
- 2013: The Board of NMG decided to purchase one of Amarant Minings subsidiaries, Ghana Gold AB in January for SEK 150 million. SEK 50 million was paid in cash up front and the remaining SEK 100 million was subject to a future approval of the transaction on an Extra General Meeting (EGM) to be called for later on during spring 2013.
- 2013: An EGM held on April 25th 2013 approved the transaction but was later appealed by a small group of shareholders as the purchase of Ghana Gold could not be motivated as the company did not have any assets. The Board had made a number of formal mistakes in relation to the summoning to the EGM and the District court of Stockholm seconded the appeal and declared the decision to purchase Ghana Gold on the EGM to be invalid.
- 2013. The Board made a new attempt to explain why the Company had transferred SEK 50 million to a close related party in connection to the proposed purchase of Ghana Gold on the Annual General Meeting in August 2013. The proposal was voted down by the General Meeting.
- 2013: Altro Invest AB, that had funded Amarant's purchase of the NMG shares in December 2012 by way of a loan to Amarant did not get their loan repaid and called for the pledge that they received constituted by Amarant's shares in NMG. As a result Altro become the new main shareholder of NMG and appointed, together with a group of shareholders representatives, a new board.
- 2013: The new board managed to raise new money during autumn 2013 by way a loan giving the right to repayment by way of new shares in the Company.
- 2014: The new board initiated a law suit against the former board amounting to SEK 54 million based on its breach of trust and the loss of SEK 50 million plus interest.

## 6.3 Organisational Structure

The chart below shows the organisational structure of the Group at the date hereof.




***The Group currently encompasses:***

- Nickel Mountain Group AB (parent holding company, incorporated in Sweden)

Subsidiaries (partly-owned):

- Nickel Mountain Resources AB (publ) (99.6%) (incorporated in Sweden)

Subsidiaries (wholly-owned):

- IGE Diamond AB (incorporated in Sweden)
- Africa Diamond AB (incorporated in Sweden)

Nickel Mountain Group is the Group's holding company whose primary focus is to be the shareholder for all group companies as well as being the main funding entity for the group. At the date of this Prospectus, Nickel Mountain Group has no employee whereas the Group in total has 3 employees. The CEO of the Group is currently working on a consultancy basis.

The Company does not hold a proportion of capital in any other company likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses with the exception of its incorporated subsidiaries.

There is no difference as far as the proportion of capital and voting power in any of the subsidiaries or invested companies.

## 6.4 Strategy

The Company's strategy is to be a value creating Scandinavian asset management and development Company within natural resources. NMG's subsidiary Nickel Mountain Resources AB (publ) owns Scandinavia's largest nickel deposit at present. The aim is to focus on additional exploration and value creation either by own operation or by way of partnerships and joint ventures. The Company's strategy is based on a conviction that the creation of value related to a mineral asset is during the exploration phase. The identification and verification of a mineral resource and the ensuing increase of tonnage, improvement in grades etc. through exploration adds value to the Company and its shares. The strategy also implies low cash expenditure, (investment in new projects excluded), in order to keep the overhead of the Group on a low level. This reduces the need for external capital contributions.

The Company has through experience and its network, managed to get access to a competent and experienced team of specialists within the area of exploration and mining, which creates good conditions for the Company to make progress and advance its project in an efficient way. Along with its employees, the Company works together with a number of consultants having strong competencies within each phase of the prospecting and mining process.

## 6.5 The Mineral resources of the Group

The minerals and metal operations of the Group are in continuous development, and currently comprise a nickel resource in Rönnbäcken, Sweden.

The numbers and estimates in the following are based on information currently available to the Company and are confirmed by competent person's reports by SRK Consulting (Nickel/Ore) of 2014 which meet the requirements of being independent experts for mineral resources as defined by Canadian Industrial Mining ("CIM") when referred to. See section 14.2 and 16.3 for further information and references to the reports.

The numbers and estimates below are derived from projects whereby the Company holds a major ownership. For information related to other projects and plants, reference is made to section 6.6.

| Project | Ownership (%) | Resources |
|---|---|---|
| **Nickel Mountain** | | |
| **Rönnbäcken (Ni-Fe)** | **100%** | **Measured & Indicated resources of 668.3 Mt at a grade of 0.176% Ni, of which 0.099% is Ni in sulphides and 5.67% Fe, plus an Inferred resource of 19.0 Mt at a grade of 0.172% Ni, of which 0.104% is nickel in sulphides and 5.13% Fe.** |

The activities of the Group are predominantly equity-financed. The amount of long-term debt at the end of 2013 amounted to SEK 9.9 million, of which SEK 5 million was a convertible loan that matures in 2018.

The continued development of the Group's property will depend upon NMG's ability to obtain financing mainly through equity. Debt financing may become an alternative for the Company in the future. Management will evaluate such an alternative if it is considered beneficial for the Company's shareholders and if it can be obtained under favourable conditions.

## 6.6 Competent Persons statement

The information in this Prospectus that relates to exploration Results is based on information compiled by Mr Johan Bradley, representing SRK. SRK is part of the international consulting group, SRK Consulting (Global) Limited (the SRK Group). The SRK Group comprises some 1,600 staff, offering expertise in a wide range of resource engineering disciplines.

SRK Group’s independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. The SRK Group has a demonstrated track record in undertaking independent assessments, project evaluations and audits, Mineral Experts Reports, Competent Persons’ Reports, Independent Valuation Reports and independent feasibility studies to bankable standards on behalf of exploration and mining companies and financial institutions worldwide. This report is based on work carried out by a team of consultants based at the SRK Group offices in Skellefteå (Sweden) and Cardiff (United Kingdom). These consultants are specialists in the fields of mineral exploration, resource estimation, mining, processing and in the development of mining projects. Neither SRK nor any of its employees employed in the preparation of this report have any beneficial interest in the assets of the Company. SRK will be paid a fee for this work in accordance with normal professional consulting practice.

The individuals responsible for this report have extensive experience in the mining industry and are members in good standing of appropriate professional institutions.

The key members of SRK’s Project Team comprised:

- Mr Johan Bradley, FGS CGeol, EurGeol, MSc, Principal Geologist with SRK,
- Dr Mike Armitage, C Eng, C Geol, MIMMM, FGS, Corporate Geologist and Chairman of the SRK Group,

The Competent Person for this report is Mr Johan Bradley, a Chartered Geologist and Fellow of the Geological Society of London. Mr. Bradley is a full time employee of SRK and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration. Mr. Bradley was the main author of the 2011 PEA and acted as a Qualified Person for the purposes of National Instrument 43-101, with responsibility for the sections concerning geology and economic analysis. National Instrument 43-101 ("NI 43-101") is a national instrument for the Standards of Disclosure for Mineral Projects within Canada. The Instrument is a codified set of rules and guidelines for reporting and displaying information related to mineral properties owned by, or explored by, companies which report these results on stock exchanges within Canada.

The full report was completed in April 2014. No material changes have occurred since the date of the competent person’s report which would make the competent persons report misleading.

## 6.7 Business Units - Nickel Mountain Resources AB (publ)

Nickel Mountain Resources AB (publ) (“Nickel Mountain Resources”) (formerly IGE Nordic AB) is a Swedish public limited liability company with company registration number 556493-3199, incorporated and organized under the laws of Sweden. On the 17 October 1994, a change in the company’s name to Norad Aktiebolag was registered and on the 28 September 1998 a further name change to Planet Mineral AB was registered with the Swedish Companies Registration Office. All of the issued and outstanding Shares of Nickel Mountain Resources were acquired by Nickel Mountain Group AB on the 30 November 2004 pursuant to a share purchase agreement dated the 18 November 2004. On the 8 October 2007, the company’s name change to IGE Nordic AB was registered with the Swedish Companies Registration Office. On the 11 March 2011 the company’s name change to Nickel Mountain Resources AB (publ) was registered with the Swedish Companies Registration Office. Nickel Mountain Resources' principal place of business is Stockholm, Sweden. Its registered office is Kungsgatan 44, SE-111 35 Stockholm, Sweden, telephone: +46 (0)8 402 28 00, facsimile: +46 (0)8 402 28 01. There are 26,816,042 shares outstanding. Nickel Mountain Group holds 99.6% of the shares in Nickel Mountain Resources.

Nickel Mountain Resources is an exploration and development company whose primary focus is the development of the 100% owned Rönnbäcken nickel sulphide project which is in the pre-feasibility stage. The Project is located in northern Sweden, 30 kilometres south of Tärnaby, in the municipality of Storuman, county of Västerbotten, Sweden. The company's objective is to produce up to 30,000 tonnes per annum (“tpa”) of nickel in concentrate from Rönnbäcken for the international markets. The company's long-term objective is to become a leading mid-tier nickel producer capitalizing on opportunities both within the Nordic and other geographies. Currently, Nickel Mountain Resources focus solely on the Rönnbäcken Nickel project in Sweden.

During the autumn of 2010 the company incorporated a subsidiary named Nickel Mountain AB ("NM"), with the Rönnbäcken Nickel Project as its sole asset. The project was acquired from Nickel Mountain Resources AB. The company registration number of Nickel Mountain AB is 556819-1596.

***Rönnbäcken Nickel Project (100%)***

The Rönnbäcken Nickel Project (“Ronnbacken” or “the Project”) is comprised of three deposits namely, Vinberget, Rönnbäcknäset and Sundsberget. The development work completed to-date since 2007 includes over 29,000 metres of diamond drilling, bench-scale and mini-pilot mineral processing test programs, preliminary engineering, environmental baseline studies, and environmental impact assessments. Previous work performed in the 1970’s by Boliden included test pit mining and large scale piloting.

An updated Preliminary Economic Assessment along with Mineral Resource Estimates for all three deposits comprising the Project was completed by SRK Consulting (Sweden) AB (“SRK”) in December 2011 and January 2012. The updated Preliminary Economic Assessment provides an independent evaluation of the Project in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* is available on the company’s website at www.nickelmountain.se. See “*Overview of the Rönnbäcken Nickel Project*”.

Nickel Mountain Resources main objective is to produce a nickel concentrate while maximizing the recovery of valuable by-products (in our case cobalt and magnetite). The estimated production over the Life-of Mine (”LoM”), currently estimated at 19 years, consists of the following two products:

a) Main product: Nickel concentrate totalling 1 649 000 tonnes over the LoM with a nickel grade of 28% (1 649 100 x 0.28 = 461 800 tonnes nickel contained) and a cobalt grade of 0.90% (1 649 100 x 0.009 = 13 100 tonnes cobalt contained).

b) Second product, as a by-product from nickel concentrate production: Magnetite iron concentrate totalling 28 802 000 tonnes over the LoM with an iron grade of 66% (28 802 000 x 0.66 = 19 009 320 tonnes iron contained)

Based on the Mineral Resource Statement of 23 January 2012 issued by SRK Consulting, the current resource includes a total of Measured and Indicated Mineral Resources of 668.3 million tonnes with an average total nickel content of 0.176% of which 0.099% is nickel in sulphide (“Ni-AC”) and 5.67% iron. In addition, there are Inferred Mineral Resources of 19.0 million tonnes with an average total nickel content of 0.172% of which 0.104% is nickel in sulphide and 5.13% iron. The Project’s striping-ratio is at 0.79:1 (waste tonnes:ore tonnes), which is low for open pit mining.

Pre-tax net present value (“NPV”) of the Project ranges from an estimated USD 1,045 million to USD 2,301 million between long-term nickel prices of USD 9.00 per pound (US$7,826 per tonne) to USD 12.00 per pound (USD 12,236 per tonne) at a discount rate of 8%, generating an Internal Rate of Return (“IRR”) and discounted cash flow range from 19.9% to 31.6% and from USD 3,467 million to USD 6,264 million respectively. The preliminary economic assessment is based on an initial 19 year life of mine with mill throughput capacity of 30 million tonnes of ore per annum, total capital costs of US$1,668 million, of which initial capital costs of USD1,260 million, and a projected recovery of 80% of nickel in sulphides and 90% recovery of magnetite concentrate. The resultant nickel concentrate, averaging 28% nickel content, is expected to supply an average annualized production of 26,000 tonnes of nickel and 730 tonnes of cobalt in concentrate. The resultant magnetite iron concentrate averaging 66.2% iron content, is expected to supply an average annualized magnetite iron concentrate production of 1.6 million tonnes.

***History***

On the 30 September 2007, Nickel Mountain Group transferred its Nordic business to Nickel Mountain Resources, its wholly-owned subsidiary at the time, pursuant to an asset sale and purchase agreement dated 30 September 2007 (the “Asset Purchase Agreement”). Pursuant to the Asset Purchase Agreement, Nickel Mountain Group transferred all assets and mineral rights of Nickel Mountain Group’ business in Sweden and Norway with related agreements, licenses, rights and obligations, as well as the relevant personnel, to Nickel Mountain Resources. The purchase price was set at book value SEK 41,779,363 and was paid by Nickel Mountain Resources by issuing a promissory note.The debt of Nickel Mountain Group, in accordance with the promissory note, was then settled by set off against

Nickel Mountain Resources' claim against Nickel Mountain Group and by an unconditional shareholder contribution issued by Nickel Mountain Group on the day of the transfer. The transferred assets included, among others, the Rönnbäcksjön nr 1 and Rönnbäcksjön nr 2 exploration permits on the Vinberget and, at the time, the Rönnbäcknäset deposits, respectively. In connection with this transaction, Nickel Mountain Resources completed a public offering of Shares and was listed on the Oslo Axess Stock Exchange in Norway. Following the public offering, Nickel Mountain Group' ownership of Nickel Mountain Resources was reduced to 76.4% of the outstanding Shares. At the time management was recruited to manage the activities of Nickel Mountain Resources in Sweden and Norway, through Nickel Mountain Resources.

The Rönnbäcksjön nr 3 and Rönnbäcksjön nr 4 exploration permits were granted to Nickel Mountain Resources on the 11 December 2007. In November 2008, Nickel Mountain Group announced a voluntary offer (take-over bid) to acquire all outstanding Shares in Nickel Mountain Resources that it did not already own. As a result of the take-over bid, Nickel Mountain Group increased its ownership from 74.6% to 99.6% of all of the outstanding Shares in Nickel Mountain Resources. Nickel Mountain Resources was delisted from the Oslo Axess Stock Exchange, with the last day of trading on the 20 February 2009. Nickel Mountain Resources continued its exploration activities on the Rönnbäcken Nickel Project. Positive results from more than 16,000 metres of drilling within the exploration permits' areas indicated greater potential for the Project than Nickel Mountain Group had initially projected. The Rönnbäcksjön nr 5 and Rönnbäcksjön nr 6 exploration permits were granted to Nickel Mountain Resources on June 11, 2009 and June 25, 2009, respectively. The Rönnbäcksjön nr 7 exploration permit was granted to Nickel Mountain Resources on the 1 October 2009 and covers the Sundsberget deposit. In November 2009, Nickel Mountain Resources released a preliminary assessment for the Rönnbäcken Nickel Project which, at the time, only included the Rönnbäcknäset and Vinberget deposits. The preliminary assessment was prepared by Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA") and indicated a base-case pre-tax NPV of the Project at the time of USD 142 million using a long-term nickel price of USD 9.00 per pound at a discount rate of 8%. The preliminary assessment was based on a 13 year life of mine with mill throughput capacity of 20 million tonnes of ore per annum, total capital costs of USD 827 million, of which initial capital costs of USD 698 million, and a projected recovery of 74.5% of nickel in sulphides. The resultant concentrate, averaging 28% nickel content, was expected to supply an average annualized production of 17,000 tonnes of nickel in concentrate. The base case total cash cost was USD 5.55 per pound of nickel, net of byproduct credits.

During 2010, much testwork was carried out by Nickel Mountain Resources in the area of mineral processing. With completion of Phase III mineral process optimization testwork at the start of 2010, a mini-pilot study was conducted at the Geological Survey of Finland ("GTK"), with support from Outotec Minerals Oy ("Outotec") in March 2010. In the study testwork, a sulphide nickel recovery of 80% was demonstrated on a continuous basis which was an improvement on previous estimates. Concentrate grades above 20% were achieved in the mini-pilot study, largely at par with previous estimates. These mini-pilot results, demonstrating a higher recovery using mature processing technology, added to the level of certainty in the technical performance of the Project.In April 2010, SRK updated the NI 43-101 mineral resource estimate at the existing Rönnbäcknäset and Vinberget deposits. Additional tonnage was added to the resource along with an upgrade of the Mineral Resource classification. On the 2 June 2010, Nickel Mountain Resources and Nickel Mountain Group entered into an agreement (the "MRG Agreement") with Mitchell River Group Pty Ltd. of Australia to form a strategic partnership. See "*Strategic Partnership with Mitchell River Group"* below.

In June 2010, Sweden's Norrlandsfonden, the Northland Fund, provided a SEK 5 million (USD 600,000) convertible loan to Nickel Mountain Group to be used as working capital for the Rönnbäcken Nickel Project. Norrlandsfonden provides risk capital loans for small and medium-sized companies in Sweden's five northernmost counties. The fund provides loans, convertible loans and guarantees for start-ups, development and expansion, and collaborates closely with banks, venture-capital companies, county administrations, municipal business development offices and others with an interest in supporting the industry. The board of directors of Norrlandsfonden is appointed by the Swedish government. Nickel Mountain Resources believes that the participation by Norrlandsfonden is an important endorsement of the Rönnbäcken Nickel Project.

A major milestone in the development of the Project was achieved on the 23rd of June 2010, with the granting to Nickel Mountain Resources of exploitation concessions Rönnbäcken K nr 1 and Rönnbäcken K nr 2 by the Mining Inspectorate of Sweden for the Vinberget and Rönnbäcknäset deposits, respectively. An exploitation concession establishes the right for mining activity to take place on the property and is valid for 25 years from the date of issue. The applications were accompanied by

corresponding Environmental Impact Assessments (“EIA”) in which separate surveys for nature and culture were carried out and potential impacts on present land use were addressed.
In August 2010, the Geological Survey of Sweden (“SGU”) classified the three deposits comprising the Rönnbäcken Nickel Project as an “Area of National Interest for Mineral Extraction.” The SGU noted in its decision that the Rönnbäcken area is important for the country’s raw material supply, having good potential to support future mining activity.

On the 5 October 2010, Nickel Mountain Resources transferred Rönnbäcksjön nr 1 and Rönnbäcksjön nr 3 to Rönnbäcksjön nr 7 exploration permits and Rönnbäcken K nr 1 and Rönnbäcken K nr 2 exploitation concessions to Nickel Mountain AB, its wholly-owned subsidiary.

Following the 2009/2010 winter drill program, Nickel Mountain Resources identified extensive tonnage of mineralized ultramafic host rock at Sundsberget, where a thick sequence of nickel sulphide mineralization was intersected. This newly discovered deposit then became the main focus of further exploration drilling during the summer of 2010 and culminated in the completion of a NI 43-101 mineral resource estimate on the Sundsberget deposit prepared by MRG with an effective date of October 27, 2010.

The Rönnbäcksjön nr 8 exploration permit was granted to Nickel Mountain AB on November 4, 2010. This exploration permit covers the Rönnbäcknäset deposit and effectively replaced the previous Rönnbäcksjön nr 2 exploration permit.

In April 2011, given the significant additional tonnages from the Sundsberget deposit and the higher recovery achieved in mini-pilot studies, SRK completed an updated preliminary economic assessment. The updated preliminary economic assessment also included a mineral resource statement for iron. An extension of the exploration permit Rönnbäcksjön nr. 1 was granted on the 22 September 2011 by the Mining Inspectorate and is valid until the 1 August 2014.Nickel Mountain Resources has been studying the possibility of marketing a magnetite concentrate, a common feed in the steel industry. Lab testwork commenced in December 2010 at GTK, Finland, in cooperation with Outotec Finland aimed at producing a marketable iron ore concentrate by-product achieved a magnetite iron concentrate grading 62.4% iron at a 70% magnetite recovery, using an ultrafine grind of 20 microns. Preliminary metallurgical test-work begun in September 2011 by Outotec in collaboration with the GTK achieved a magnetite concentrate grade of 66.4% iron with a recovery of 84%, up from the 62% iron grade reached in previous test-work. The test-work aimed at the recovery of magnetite from the Rönnbäcken nickel flotation tailings, was performed on tailings samples from the mini-pilot plant test-work in March 2010, and demonstrated that a high grade magnetite concentrate can be produced using four stages of low intensity magnetic separation and concentrate regrinding. Further improvements in magnetite recovery to 90% along with lower magnetite processing costs were realized in additional test-work carried out in October. SRK carried out a review of available geological data from the Rönnbäcken Nickel Project. As a result, the Mineral Resource of the Sundsberget deposit was upgraded from the Inferred to the Indicated category. In addition, the resource estimate for the Sundsberget deposit was increased by 111 million tonnes to 296.9 million tonnes with an average total nickel content of 0.170% of which 0.088% is nickel in sulphide. The upgrade in category of the Sundsberget resource to Indicated further raised the level of geological confidence in the Project’s overall resource base.

In December 2011, Nickel Mountain Resources published an update of its independent NI 43-101 compliant Preliminary Economic Assessment for the Rönnbäcken nickel project, northern Sweden, prepared by SRK Consulting (Sweden) AB of Skellefteå, Sweden to incorporate the magnetite by-product and the upgraded Mineral Resource for the Sundsberget deposit.

***Latest Developments***

In December 2011, Nickel Mountain Resources submitted an application for exploitation concession including an EIA for the Sundsberget deposit to the Mining Inspectorate of Sweden. As recommended by SRK in the Resource Estimate of April 2010, Nickel Mountain carried out assaying of the drill holes from earlier drilling of the Rönnbäcknäset South down dip extension, in order to identify intersections of nickel sulphide mineralization.

In January 2012, SRK updated the NI 43-101 Mineral Resource Statement to incorporate results from drilling of the down dip extension of the Rönnbäcknäset deposit and resulted in a conversion of 86.5 million tonnes from the Inferred to the Indicated category. Further, an additional 8 million tonnes of Indicated plus 12 million tonnes of Inferred were defined at Rönnbäcknäset as a result of this drilling campaign.  The Mineral Resource contains 668 million tonnes in the Measured and Indicated category accounting for 97% of the entire resource estimate.

On 1 October 2012 the Mining inspectorate granted the exploitation concession Rönnbäcken K nr 3 covering the Sundsberget deposit.

Planning for the prefeasibility study is underway, with completion expected during 2015, subject to a successful outcome from financing activities. The bankable feasibility study is scheduled to follow upon the prefeasibility study (subject to positive results from the prefeasibility study). Subject to successful completion of project financing, construction is assumed to require two years.

***Overview of the Rönnbäcken Nickel Project***

Information in this section is based on the Executive Summary from the updated Preliminary Economic Assessment, December 2011 by SRK. The authors of the Technical Report are Dr. Mike Armitage (CGeol FGS, CEng MIoM3) and Johan Bradley (CGeol FGS, EurGeol) of SRK, each of whom is independent of Nickel Mountain Resources and a "Qualified Person", as defined in NI 43-101. The Preliminary Economic Assessment was prepared in accordance with the requirements of NI 43-101 and comprises a preliminary economic assessment prepared by SRK. The mineral resources presented are from the most recent Mineral Resource Statement prepared January 23, 2012 by SRK.  The Mineral Resource Statement was  prepared and signed by Johan Bradley, MSc., CGeol FGS, EurGeol, Principal Geologist and by Howard Baker, BSc, MSc, MAusIMM(CP) , who are qualified persons as defined by NI 43-101 Guidelines.

Portions of the following information are based on assumptions, qualifications and procedures which are set out only in the full Preliminary Economic Assessment, December 2011. For a complete description of the assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the Preliminary Economic Assessment, December 2011 which is available for review on Nickel Mountain Resources website at www.nickelmountain.se.

***Introduction***

The Rönnbäcken Nickel Project owned by Nickel Mountain AB, is located in the northwest part of Sweden, about 20 kilometres to the south of the village of Tärnaby, Västerbotten County. The Project comprises three discrete sulphide nickel deposits; Rönnbäcknäset, Vinberget and Sundsberget.
The SRK report comprises a preliminary economic assessment ("PEA") of Rönnbäcken and has been prepared by SRK on behalf of Nickel Mountain Resources AB, the parent company of Nickel Mountain AB.

As part of its work, SRK has prepared independent Mineral Resource estimates for each of the deposits and in addition, has reviewed all other technical work completed on the Project by Nickel Mountain and its other contractors and consultants to a sufficient level to enable SRK to present its own opinions on the Project and to derive an audited NPV for this.

***Mineral Resources***

The table below presents the Mineral Resource Statements for the Project as a whole, combining the SRK statements for Rönnbäcknäset, Vinberget and Sundsberget. As is typical of ultramafic-hosted disseminated nickel sulphide deposits, nickel is contained both in nickel sulphides and in silicates such as olivine and pyroxene. Conventionally with these deposits the reported nickel grades and recoveries are "Total Ni" which incorporates both the nickel in sulphides and silicates. For Rönnbäcken however, an analysis of the nickel in sulphide has been carried out through the use an analytical technique utilising a weak acid digest, hence the term Ni-AC. This has enabled evaluation of the project based on the metallurgical performance of the nickel in sulphides only, rather than considering the deportment of nickel in both sulphides and silicates. The rational is that a high proportion of the sulphide nickel is recovered in the flotation process whereas the non-sulphide nickel reports predominantly to tailings. The Ni-AC results here are referred to in this report as "Sulphide Ni" grades and recoveries.

The Resources are presented according to Canadian Institute of Mining ("CIM") Guidelines for the reporting of Mineral Resources.

### *Rönnbäcken Mineral Resource Statement:*

| DEPOSIT | CLASSIFICATION | TONNES (Mt) | Ni-Total % | Sulphide Ni (NI-AC) | Sulphide Co(Co-AC) | Fe-Total % | Ni-Total ktonnes | Sulphide Ni ktonnes |
|---|---|---|---|---|---|---|---|---|
| **Rönnbäcknäset** | Indicated | 319.9 | 0.179 | 0.103 | 0.003 | 5.5 | 573 | 329 |
| | Measured + Indicated | 319.9 | 0.179 | 0.103 | 0.003 | 5.5 | 573 | 329 |
| | Inferred | 12.2 | 0.166 | 0.085 | 0.004 | 5.11 | 20 | 10 |
| **Vinberget** | Measured | 28.3 | 0.188 | 0.132 | 0.006 | 5.19 | 53 | 37 |
| | Indicated | 23.3 | 0.183 | 0.133 | 0.006 | 5.14 | 43 | 31 |
| | Measured + Indicated | 51.5 | 0.186 | 0.133 | 0.006 | 5.14 | 96 | 68 |
| | Inferred | 6.8 | 0.183 | 0.138 | 0.007 | 5.58 | 12 | 9 |
| **Sundsberget** | Indicated | 296.9 | 0.17 | 0.088 | 0.003 | 5.93 | 505 | 260 |
| | Measured + Indicated | 296.9 | 0.17 | 0.088 | 0.003 | 5.93 | 505 | 260 |
| | **Measured** | **28.3** | **0.188** | **0.132** | **0.006** | **5.19** | **53** | **37** |
| **(Measured & Indicated)** | **Indicated** | **640.1** | **0.175** | **0.097** | **0.003** | **5.69** | **1121** | **620** |
| | **Measured + Indicated** | **668.3** | **0.176** | **0.099** | **0.003** | **5.67** | **1174** | **657** |
| **TOTAL (Inferred)** | **Inferred** | **19** | **0.172** | **0.104** | **0.005** | **5.13** | **32** | **19** |

*(1) The effective date of the Mineral Resource Statement for Rönnbäcknäset is the 23rd of January 2012. The effective date of the Mineral Resources Statement for Vinberget is the 25th of February 2011. The effective date of the Mineral Resource Statement for Sundsberget is the 28th of October 2011.*

*(2) The Mineral Resource reported for Rönnbäcknäset, Vinberget and Sundsberget was constrained within a Lerchs-Grossman pit shell defined by a marginal cut-off-grade of 0.031% Ni-AC, a metal price of USD 11 per pound; slope angles of 50, 48º and 49° respectively; a mining recovery of 95%; a mining dilution of 2.5%; a base mining cost of USD 1.35 per tonne and an incremental mine operating cost of USD 0.07 pertonne per10 metres below the 450metres reference RL and USD 0.05 per tonne per10 metres above the 450m reference RL; process operating costs of USD 4.96 per tonne ore; an effective charge per pound nickel in smelter feed of USD 1.14, G&A costs of USD 0.40/tonne ore and concentrate transport cost USD 0.10 per tonne.*

### *Geology*

The Project is located in the Swedish Caledonian mountains and is hosted by rocks which formed approximately 400-510 million years ago. The geology in the Rönnbäcken area is dominated by the Köli Nappe consisting of phyllite and felsic to mafic metavolcanics and nickel bearing ultramafic rocks. The ultramafic rocks occur as lenses of various sizes over the Project area together covering an area of roughly 15 kilometres$^2$.

The nickel-sulphide mineralization which is the target of the proposed mining operation is hosted by serpentines, tectonically displaced from the mantle into the crust, and is considered to be of epigenetic origin and to have formed during the release of nickel from olivine through a process of alteration and serpentinization of the precursor dunite and peridotite rocks. The Rönnbäcknäset deposit comprises two separate serpentinized orebodies separated by between 80 metres and 140 metres of chloritic phyllite. The orebodies dip at approximately 45° west in the north and flatten out into a bowl shaped geometry to a dip of roughly 30° north in the southwest. The deposit has a strike length of roughly 2.4 kilometres and a width of up to 400 metres at its widest point.

The Vinberget deposit comprises a single homogeneous serpentinized tabular-shaped orebody (up to 350 metres thick, 300 metres wide and 700 metres long) which dips steeply to the northeast and plunges to the northwest.

The Sundsberget deposit consists of a single serpentinite body that strikes in a north-northeast to south-southwest orientation and dips at roughly 30° to the west northwest. The deposit extends for roughly 1.2 kilometres along strike and is between 500 metres and 600 metres in width.

### *Mine Optimisation, Design and Scheduling*

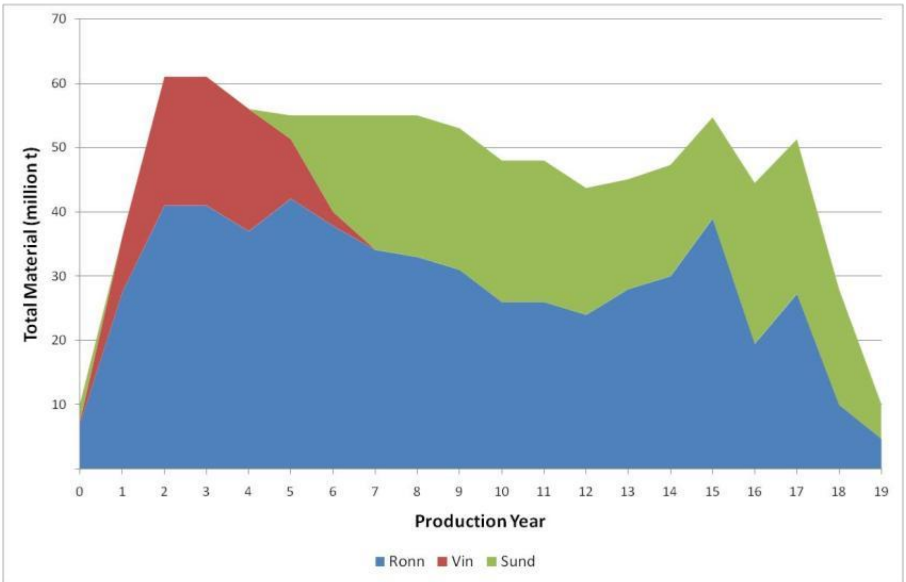
SRK generated pit tonnages and grades for scheduling purposes for each of the three deposits and geotechnical assumptions as presented in the body of this report. The following key parameters were used in the optimisation process.

### *Pit Optimisation Parameter*

| Description | Unit | Value |
|---|---|---|
| Nickel Price | (USD / lb) | 9 |
| Base Mining Cost (at Reference Block - RFBK) | (USD / t) | 1.35 |
| Mining Recovery | (%) | 95 |
| Mining Dilution | (%) | 2.5 |
| Ni Processing Recovery | (%) | 80 |
| Processing Cost | (USD / t) | 4.96 |

It is currently anticipated that ore production will commence simultaneously at Rönnbäcknäset and Vinberget, with full production expected to be achieved in Year 2. Mining at Sundsberget is then forecasted to commence in Year 5 and reach full production by the time the Vinberget deposit is depleted. The overall strip ratio is 0.72 (waste:ore).

### *Production Schedule*




The current study assumes contract mining using 700-ton hydraulic shovels with 34 cubic metre buckets and 225-ton haul trucks.

### *Metallurgical Testwork*

Metallurgical testwork has been undertaken on samples of the nickel sulphide ores from Rönnbäcken to determine the mineralogical, comminution and metallurgical properties of the various mineralised zones within the deposits.

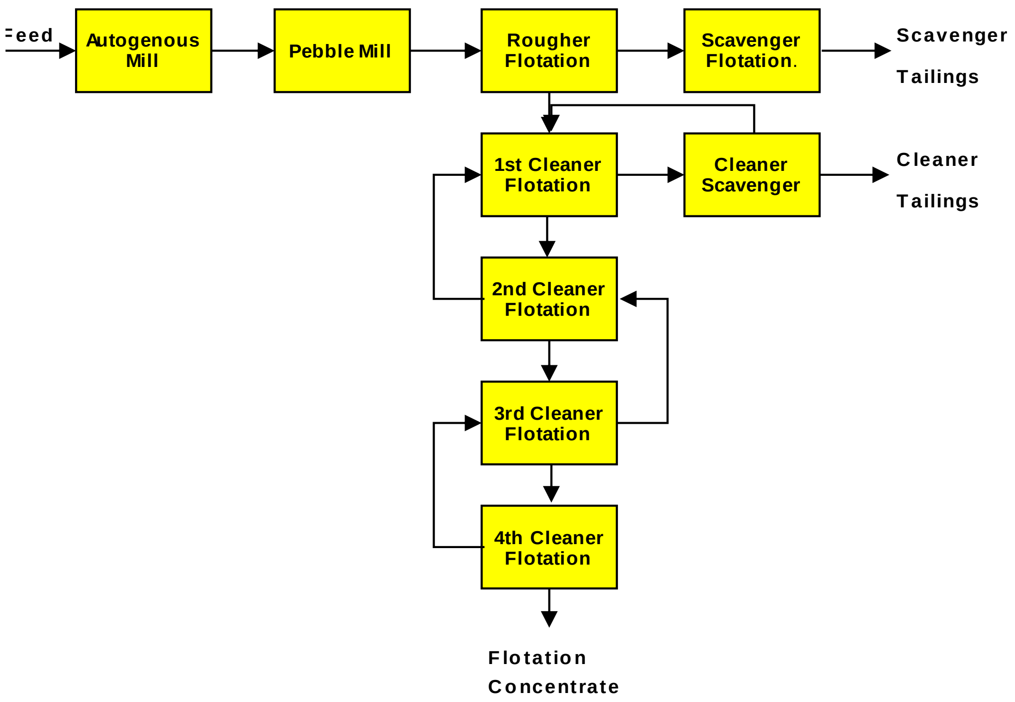
The purpose of the test work program was to develop a process flow sheet that maximises recovery of nickel and cobalt whilst minimising the incorporation of penalty elements (eg magnesium) at the lowest achievable project risk.

Recent test work has indicated that a nickel feed grade of 0.17% total nickel or 0.1% Sulphide Ni, can produce a concentrate with a grade of 28% at an 80% recovery of Sulphide Ni.

Historical testwork was initially carried out by Boliden during the 1970s where a lab and large scale 4000 tonne pilot program, facilitated by test pit mining, achieved 26 to 34% nickel grade and 67 to 73% sulphide nickel recovery. Typically a primary grind of $P_{80}$ 44µm was required. Autogenous grinding was used, comparing favourably to rod and ball milling.

Phases 1-3 of laboratory based test work conducted by Nickel Mountain, largely at Outotec Finland's Research Center in Pori ("Outotec"), indicated that a closed circuit recovery of 78% was possible yielding a concentrate with a grade of 28% nickel. Composites representing the first few years of production were used and ground to a $P_{80}$ of 50µm. This was demonstrated through minipilot operation which produced a concentrate with a grade of 22% nickel at 80% recovery using the flowsheet in the figure below.

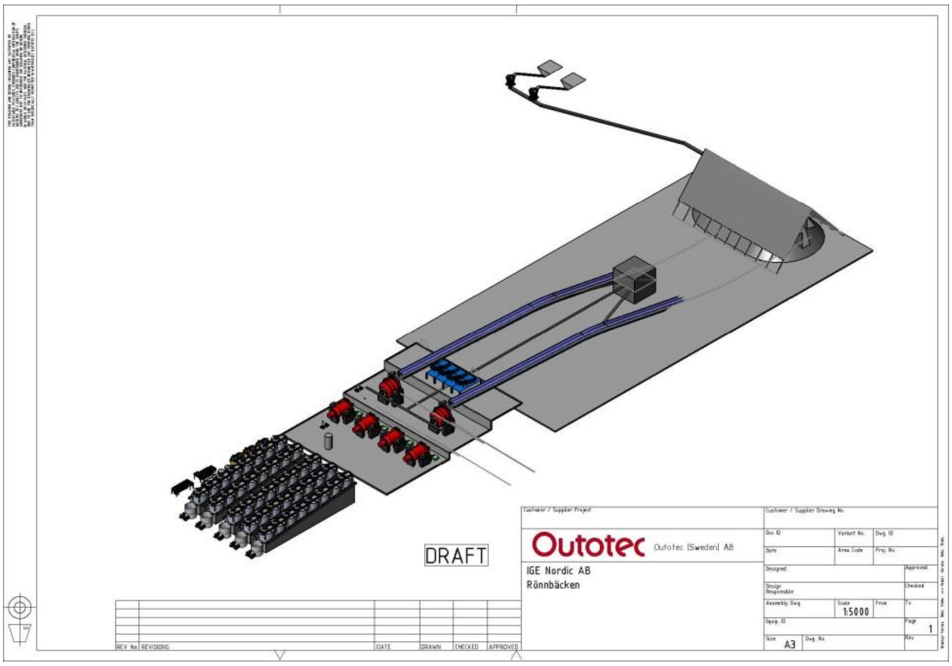
***Simplified Conceptual Flowsheet***




Follow-up laboratory-scale testwork based at Outotec has indicated that concentrates with an increased grade of 28% nickel at 80% sulphide nickel recovery could be produced from the same composite samples used in the minipilot operation. This grade was realised by introducing a new combination of flotation variables, most significantly a new reagent regime, along with slight changes to the flowsheet and, typically, a primary grind of $P_{80}$ 50µm.

Based on the testwork performed, the flowsheet developed for the Rönnbäcken concentrator consists of crushing, grinding, flotation, and dewatering steps, typical of many concentrator operations elsewhere in Sweden and Finland, as showed in the figure below. Outotec has recently been involved in the development of a similar concentrator in the region and is familiar with the associated costs of such a project. This plant, now operational, is similar in terms of capital expenditure and process route.

***Concentrator Layout, Oblique View***



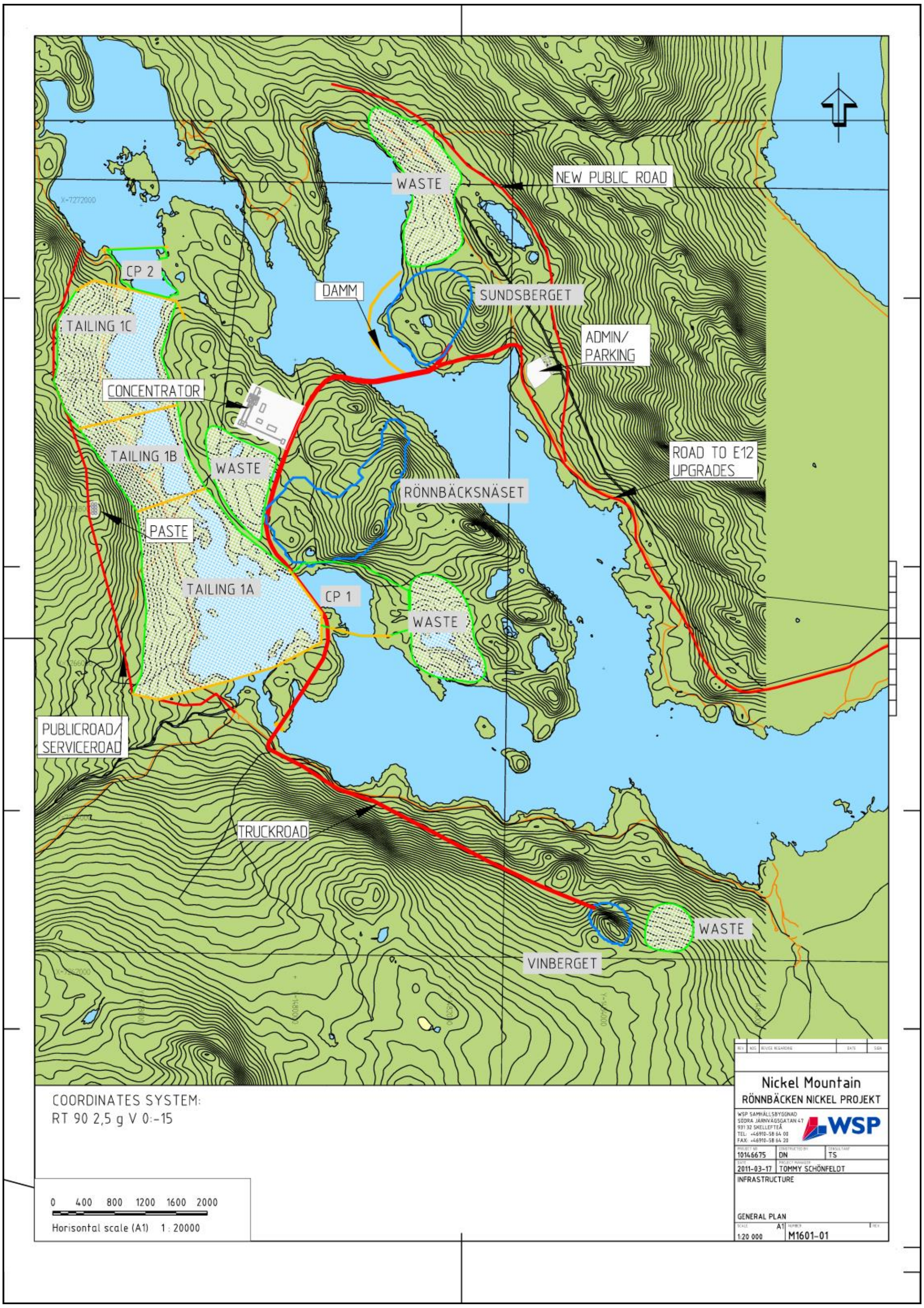

The conceptual concentrator design is derived from a conventional flowsheet, similar to that in other operations which successfully treat disseminated low-grade nickel sulphides. This design, together with capital and operating cost estimates for the concentrator, has been prepared by Outotec AB (Sweden). The mill would have a capacity of 30 million tonnes per annum or 3,750 tonnes per hour, and would produce approximately 95,000 tonnes per annum of nickel concentrate at 28% nickel.

The processing plant site location has been selected to be in close proximity to the Rönnbäcknäset deposit and the planned tailings management facility. The plant layout has been chosen to utilize the natural geography and topography of the area shown below.

Furher metallurgical testwork was performed by Outotec at GTK's facilities in Finland in October 2011 to evaluate the potential for the recovery of a saleable magnetite concentrate from the nickel flotation tailings stream. Fifteen batch tests were performed on the tailings from the mini-pilot plant work performed in March 2010 to evaluate the recovery and grade of magnetite concentrate that can be produced using flowsheets comprising desliming, magnetic separation, concentrate regrinding, flotation and product classification. The testwork envisaged that a saleable magnetite concentrate could be produced using multiple stages of low intensity magnetic separation. A magnetite recovery of 90.3% at a grade of 66.2% iron was achieved in open circuit batch tests. The level of chrome impurity in the concentrate was acceptable at around 2.2%. This represents a mass yield of 5 to 6 % or an annual magnetite concentrate tonnage of 1.6 million tonnes from 30 million tonnes of run-of-mine ("ROM") ore.

The concentrate produced was very fine, nominally minus 20 μm, and further testwork is required to optimise this parameter and to establish if it will be necessary to pelletize the product.
Adding a magnetite concentrate circuit to the current plant configuration is estimated to cost USD 87 million, which together with a USD 12 million increase in working capital, raises the start-up capital expenditure for the Project from USD 1,161 to USD 1,260 million.

*Proposed Site Layout*




*Project Infrastructure*

The key infrastructure required to support the Project as currently envisaged will comprise:

- 14 kilometres of access road upgrading from the E12 highway to the project site. The associated costs will be negotiated with the Swedish Transport Administration;
- 4 kilometres of 144 kV power line to tie into the external grid, plus a 160 MW receiving main station 220 V (four transformers), with internal electrical grid and substations to service the process plant, tailings area and mines;

- mine roads connecting to the concentrator, waste dumps and tailings dam, including two causeways across the Gardiken reservoir;
- a 15 hectares industrial pad for the process plant site;
- a 2 kilometres coffer dam protecting the Sundsberget pit from the reservoir;
- buildings inclusive of change-rooms, offices, restaurants, mechanical and electrical workshops, truck workshops, heated and cold storage facilities; and
- a sewage treatment plant and recycling facilities.

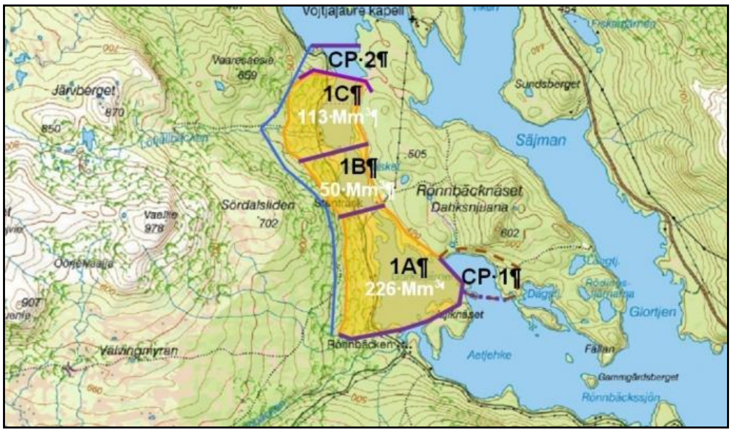
The figure below illustrates the Project site location relative to local infrastructure with a photograph of the Ajaure hydropower plant as inlay.

***Rönnbäcken Relative to Existing Infrastructure and a Photo of the Ajaure Hydropower Plant.***


***Tailings Management***

The proposed design for the tailings management facility ("TMF") is to construct a cluster of three cells that will require the construction of four dams, south of the Rönnbäcknäset pit in Lake Gardiken, a hydro-electric reservoir. Deposition of the tailings will be achieved by spigotting the tailings over the TMF to maximise the storage capacity. Two clarification ponds will be constructed at both ends of the TMF. Tailings will be subject to a thickening process to produce a bulk dry density estimated at 1550 kilograms per cubic metre and a top surface sloping of $4^{o}$, producing a tailings volume of up to 340 million cubic metres.

***Proposed layout of the Tailings Management Facility***




Preliminary investigations on the waste rock and tailings indicate that there is low potential for development of acid rock drainage, although further testwork is required to confirm this.

***Environmental Studies, Permitting and Social Impacts***

There are four types of permits necessary to develop a deposit from the exploration stage to the development stage in Sweden. These are: exploration permits, exploitation concessions, environmental permits and building permits. Nickel Mountain holds exploration permits for all three deposits. Exploitation concessions have been granted for the Vinberget and Rönnbäcknäset deposits in 2010, supported by environmental impact assessment studies and an exploitation concession for the Sundsberget deposit was granted by the mining inspectorate in 2012.

Accepting the level of study and available information, the environmental impacts of the proposed project are not deemed significant. Following cessation of operations, the area is expected to be returned to a prior-to-intervention state except for the presence of pit lakes and new topographic highs from the storage facilities for waste rock and tailings, which shall be rehabilitated.

Social and economic impacts will largely be positive particularly through new job creation, increased economy of the region and increased tax revenue to local authorities. Potential negative impacts stem from loss of land for other uses, e.g. reindeer herding, dwellings, recreational activities, fishing, and hunting. A present, artificial hydro-electric water reservoir will partly be occupied by tailings and embankments resulting in a slight loss of storage capacity, which reduces the ability to keep water volume from summertime to wintertime, with a limited loss of power value (SEK 3 million annually) for the producer as power in wintertime is priced higher than in summertime. However, the overall annual power production is not expected to be reduced. Eventual compensation measures will be negotiated with affected parties.

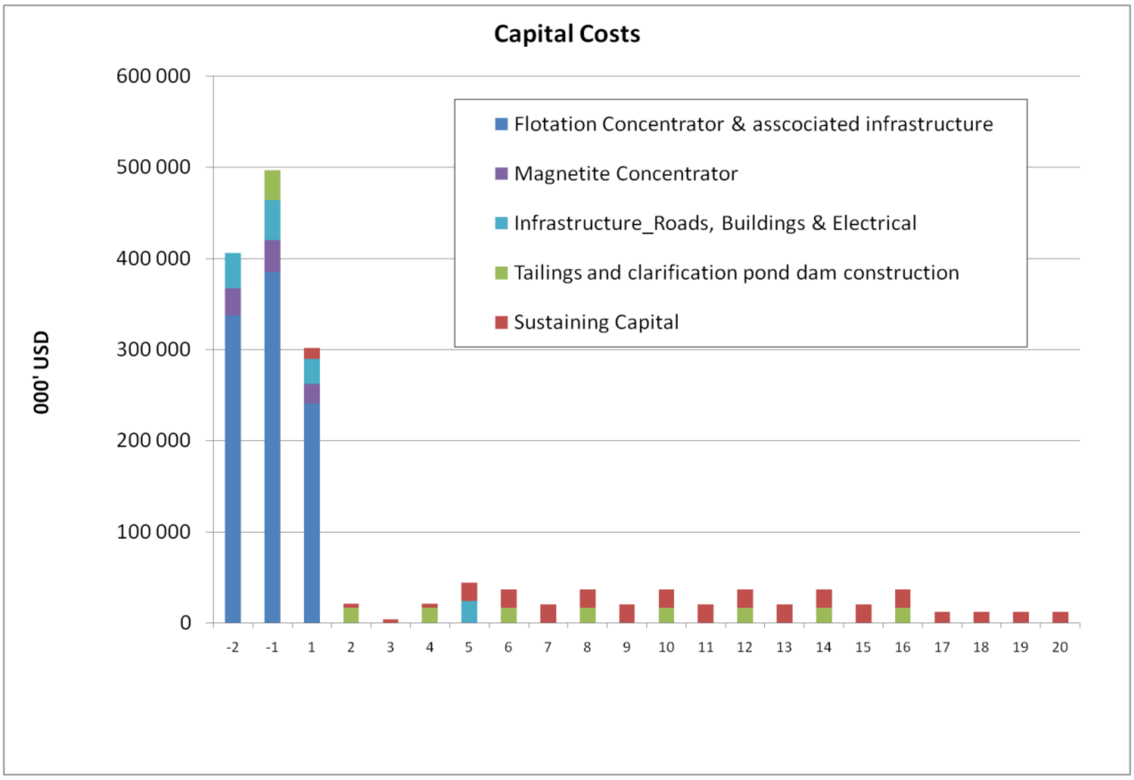
***Capital and Operating Costs and life of mine***

The capital and operating costs estimated as part of this study have been reviewed by SRK and adjusted where appropriate to reflect SRK's views. These costs total USD 1 668 million. The estimates noted in the SRK report are based on the following assumptions:

- contingencies of between 20% and 25% have been applied to capital cost associated with the process plant and infrastructure (roads, buildings and electrical);
- capital costs have been profiled with roughly 75% of expenditure occurring in pre-production years and the remaining 25% occurring in the first year of production; and
- no capital costs have been assumed for mining equipment.

The figure below illustrates a breakdown of the envisaged capital expenditure over the life of mine and split between the major cost centres. The total provision for sustaining capital over the life-of-mine ("LoM") is USD 280 million.

***Summary of Capital Cost Assumptions by Major Cost Centre***




The table below presents a summary of the capital cost assumptions the Project for start-up capital over Years -2 to 1 and also sustaining and remaining infrastructure capital required over the remaining LoM.

***Capital Cost Assumptions***

| Description | Unit | Value |
|---|---|---|
| Flotation Concentrator | (USDM) | 962 |
| Magnetite Concentrator | (USDM) | 87 |
| Infrastructure | (USDM) | 150 |
| Working Capital | (USDM) | 59 |
| **Start-up Capital**[1] | **(USDM)** | **1 258** |
| | | |
| Infrastructure (Ongoing) | (USDM) | 156 |
| Sustaining | (USDM) | 254 |
| **Total** | **(USDM)** | **1 668** |

[1] *Includes contingency of 23.5% based on 20% for quoted costs on major Equipment items and 25% on general items.*

***Operating Cost Assumptions***

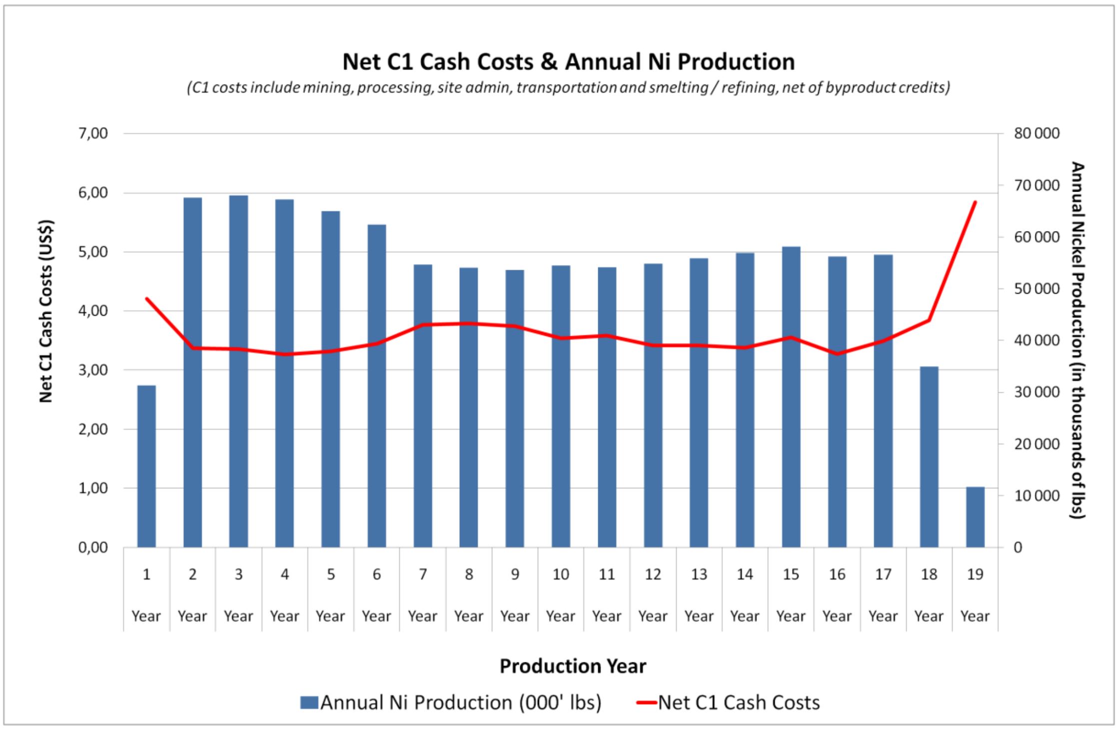
| | **USD/t moved** | **USD/t milled** | **USD/lb contained Ni** | **USD/lb payable Ni** |
|---|---|---|---|---|
| Mining | 1.79 | 3.10 | 1.61 | 1.73 |
| Processing | 2.89 | 5.03 | 2.61 | 2.80 |
| General & Administration | 0.22 | 0.38 | 0.20 | 0.21 |
| On-going rehabilitation | 0.07 | 0.13 | 0.07 | 0.07 |
| **Operating Cost at Mine Gate**[1] | **4.97** | **8.64** | **4.48** | **4.82** |
| ConcentrateTransport | | | | 0.96 |

| | | | | |
|---|---|---|---|---|
| TC/RC's | | | | 1.20 |
| By-product Credits | | | | -3.42 |
| **C1 Cash Cost[2]** | | | | **3.55** |

*[1] Mine Gate operating costs per pound of nickel recovered to concentrate*
*[2] C1 costs include mining, processing, site admin, transportation, smelting and refining, net of byproduct credits.*

The total unit operating costs amount to USD 4.97 per tonne of total material mined. The total cash cost is USD 3.55 per pound of nickel, net of both cobalt in the sulphide concentrate and the magnetite concentrate. Net C1 cash costs over the life of mine are illustrated in the figure below.

***Net C1 Cash Costs Over the LoM***




***Economic Analysis***

SRK has constructed a pre-tax, pre-finance Technical Economic Model ("TEM") to derive a NPV for the Project. The TEM is based on the technical assumptions developed from work undertaken by SRK and Nickel Mountain, which SRK has reviewed and adjusted where appropriate.

The economic analysis is partially based on Inferred Mineral Resources, and is preliminary in nature. Inferred Mineral Resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as Mineral Reserves. There is no certainty that the production and economic forecasts on which this Preliminary Assessment is based will be realised.

The economic analysis has been undertaken using the US Dollar as the base currency. Any Swedish Krone (SEK) or Euro (EUR) derived costs have been converted at the exchange rates indicated in the table below, which summarises all of the key financial assumptions made. Subsequent tables summarise the technical and cost assumptions made and derived by SRK.

***Economic assumptions. Magnetite Iron Concentrate Prices 65% Fe FOB Mo i Rana (Norway).***

| Description | Unit | Value |
|---|---|---|
| SEK:USD exchange rate | (unit) | 8:1 |
| USD:EUR exchange rate | (unit) | 1.125:1 |
| Base case discount rate | (%) | 8 |
| Base case nickel price | (USD / lb) | 9 |

| | | |
|---|---|---|
| Base case cobalt price | (USD / lb) | 15 |
| Iron price (Year 1) | (USD / t) | 110 |
| Iron price (Year 2 & onwards) | (USD / t) | 104 |
| LoM | (years) | 19 |

***Physical Assumptions***

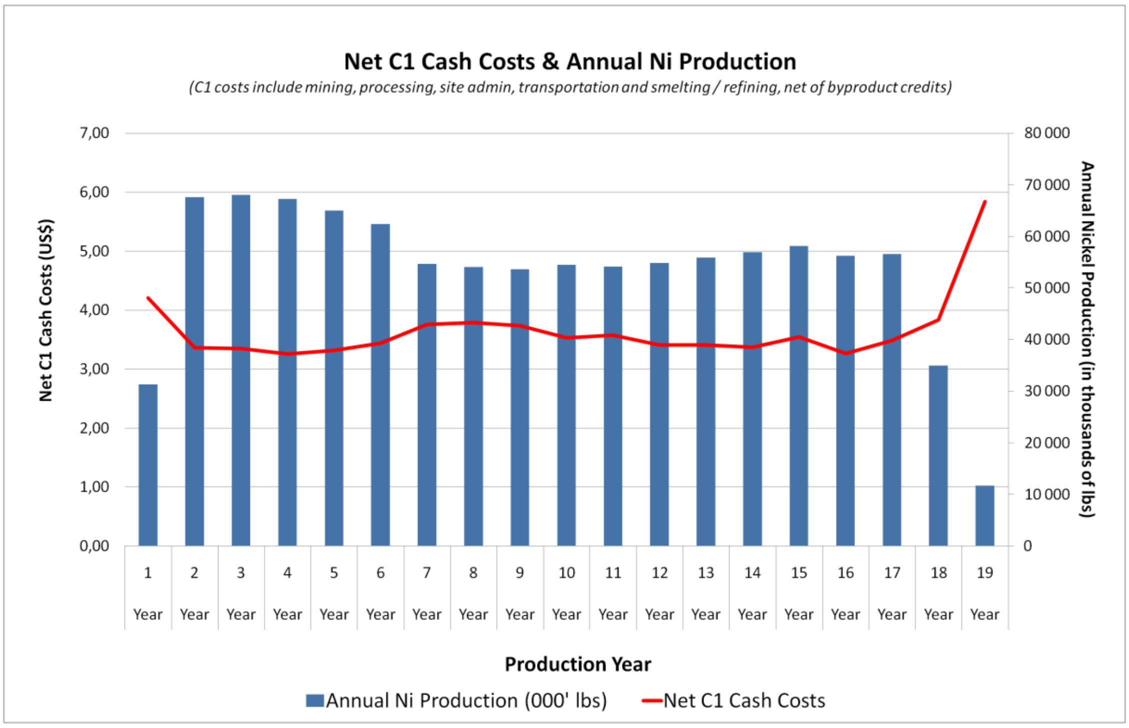
| Description | Unit | Value |
|---|---|---|
| Total ore mined | (k tonnes) | 528 030 |
| Total waste mined | (k tonnes) | 379 943 |
| Strip ratio | (w:o) | 0.72 |

***Process, Smelting and Refining Assumptions***

| Description | Unit | Total |
|---|---|---|
| LoM feed tonnage | ('000 tonnes) | 528 030 |
| Plant through-put per day | (tonnes/day) | 90 000 |
| Flotation concentrate (nickel-cobalt) | | |
| Nickel recovery | (%) | 80% |
| Nickel concentrate nickel grade | (%) | 28% |
| Cobalt recovery | (%) | 70% |
| Nickel concentrate cobalt grade | (%) | 0.90% |
| LoM contained nickel | (tonnes) | 462 000 |
| LoM contained nickel | (M lb) | 1 018 |
| LoM contained cobalt | (tonnes) | 13 000 |
| LoM contained cobalt | (M lb) | 29 |
| LoM nickel concentrate tonnage | (000' tonnes) | 1 649 |
| | | |
| Magnetite concentrate | | |
| Magnetite recovery | (%) | 90% |
| Iron grade | (%) | 66% |
| LoM magnetite concentrate tonnage | (000' tonnes) | 29 000 |

The figure below illustrates Net C1 cash costs over the life of mine.

***Net C1 Cash Costs Over the LoM***



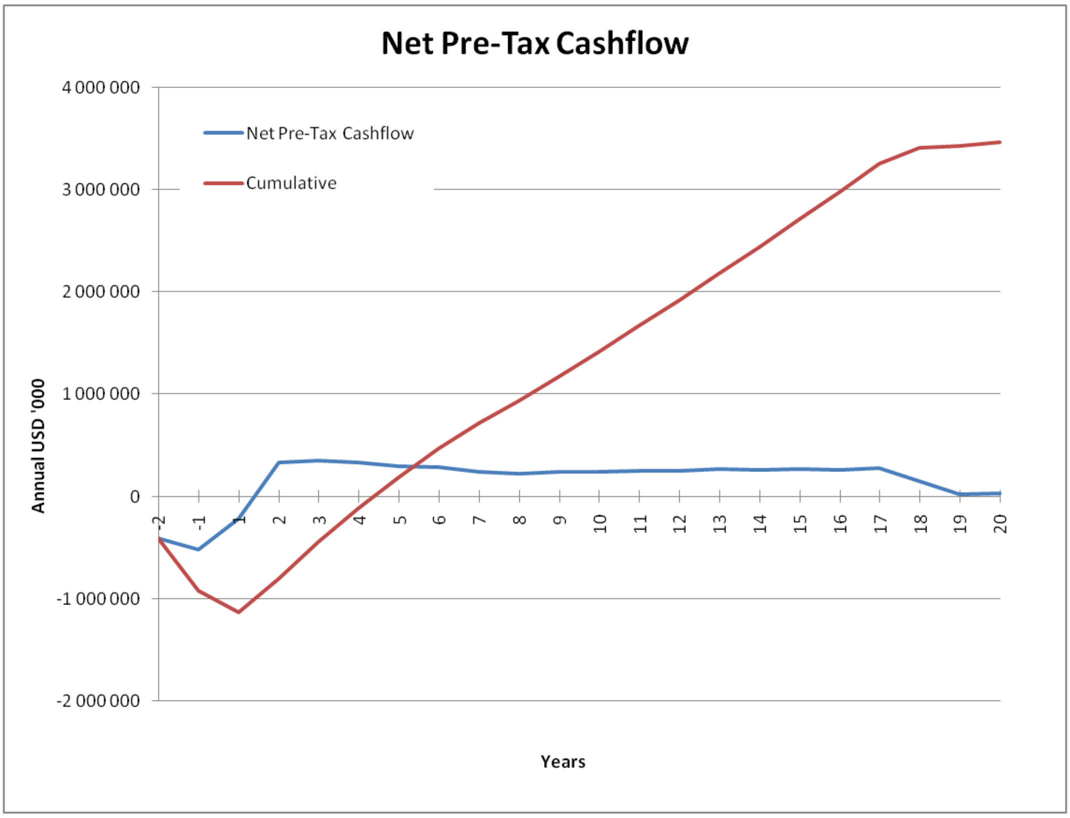

SRK's NPV provided in the report of December 2011 has been derived by the application of Discounted Cash Flow ("DCF") techniques to the pre-tax, pre-finance cash flow. In summary, at a nickel price of USD 9.00 per pound and an 8% discount rate the Project has an NPV of USD 1,045 million. A summary of the results of the cash flow modelling and valuation are presented in the table and figure below.

***DCF Modelling and Valuation***

| Description | Unit | Value |
|---|---|---|
| Ni price | (USD / lb) | 9 |
| Net pre-tax cashflow | (USDM) | 3 468 |
| Payback period | (Production years) | 4.4 |
| Pre-tax pre-finance NPV (8%) | (USDM) | 1 045 |
| IRR | (%) | 19.9 |

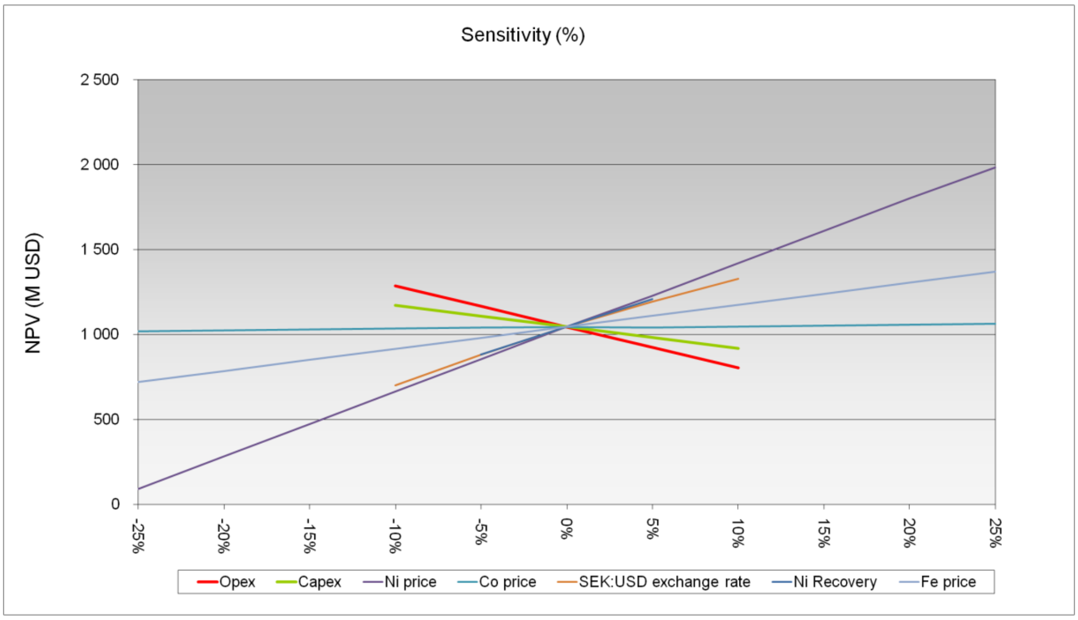
The figure below illustrates the undiscounted net pre-tax cashflow over the LoM. A summary cashflow is also presented in table below.

***Net Pre-Tax Cashflow***




The figure below presents single parameter NPV sensitivities at an 8% discount rate for commodity price, operating costs, capital costs, SEK: USD exchange rate and nickel recovery. In addition, the figure below presents the sensitivity of the NPV to various nickel price assumptions.

***NPV Sensitivity to Multiple Variables***



***NPV Sensitivity under Different Nickel Price Scenarios***

| | | Nickel Price (USD / lb) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Description | Unit | 7 | 8 | 9 base case | 10 | 11 | 12 | 13 |
| Net pre-tax cashflow | (USDM) | 1,577 | 2,522 | 3,467 | 4,393 | 5,338 | 6,264 | 7,208 |
| NPV (@ 8% Discount Rate) | (USDM) | 195 | 620 | 1,045 | 1,461 | 1,885 | 2,301 | 2,726 |
| IRR | (%) | 10.5 | 15.4 | 19.9 | 24.0 | 27.9 | 31.6 | 35.2 |
| Payback | (Production Years) | 7.5 | 5.4 | 4.4 | 3.8 | 3.3 | 3.0 | 2.7 |

***Overview of Swedish Mining Laws Relating to the Project***

The Mining Inspectorate of Sweden (*Sw: Bergsstaten*) (the "Mining Inspectorate") is the authority responsible for the administration of mineral resources in Sweden, and comes under the Ministry of Enterprise, Energy and Communications. It reports to and receives administrative and other support from the Geological Survey of Sweden (the central government agency responsible for questions relating to soil, bedrock and groundwater in Sweden). The head of the Mining Inspectorate is the Chief Mine Inspector, who is appointed by the Government. The functions of the Mining Inspectorate are to issue permits under The Minerals Act (1991:45) (the "Minerals Act") for the exploration and exploitation of mineral deposits and to ensure compliance with the Minerals Act.

The right to dispose of "concession minerals" in Sweden is governed by the Minerals Act. The minerals referred to in the Minerals Act, about 69 in number, are those usable industrially and of economic importance, as well as those requiring extensive, systematic and often scientifically based prospecting methods. Minerals not governed by the Minerals Act, such as quartz, olivine and limestone, are the property of the landowner. The purpose of the Minerals Act is to define the preconditions for the exploration and extraction of concession minerals, regardless of land ownership. The Minerals Act is based on the concession system, but also incorporates significant elements of the claim system.

Exploration is subject to the grant of an exploration permit (*Sw: undersökningstillstånd*), and the extraction/exploitation of concession minerals is subject to the grant of an exploitation concession (*Sw: bearbetningskoncession*). Any area of land above ground needed for a mine, whether open pit or for underground extraction, needs to be designated for this purpose in a special land designation procedure (*Sw: markanvisning*). The granting of permits under the Minerals Act is an administrative process in which the Mining Inspectorate is the official body granting permits. The initiative in the permit granting process lies wholly with the applicant under the specified application procedure. All land, regardless of type of ownership, is, in principle, open for exploration permit applications. Prospecting or exploration may not, however, be conducted in national parks. A number of "impediment provisions" requiring special exemptions also apply in a number of areas specifically protected under the Swedish Environmental Code (*Sw: Miljöbalken*) (the "Environmental Code"), such as virgin mountain areas and Natura 2000 areas.

***Exploration Permits***

The requirements for an exploration permit to be granted include that there is reason to assume that exploration of the area may lead to a finding of concession minerals and that the applicant does not obviously lack capacity or intent to carry out suitable exploration and has not previously been deemed unsuitable to carry out exploration.

An exploration permit is valid for a period of three years. It can then be extended for a maximum of a further three years, provided that the Mining Inspectorate is satisfied that suitable exploration work has been carried out or the exploration permit holder has acceptable reasons for not having carried out exploration work and makes it probable that the area will be explored during the additional time applied for. After the first extension, it can be extended again for another maximum period of four years, if there are special reasons to support such an extension. Thereafter, it can be extended for another maximum of five years, if there are particular reasons therefore; for example that the exploration permit holder shows that significant exploration work has been carried out and that further exploration is likely to lead to the granting of an exploitation concession. The maximum licensing time is 15 years. The area covered by the exploration permit must not be so large that suitable exploration is not feasible. If more than one party has applied for an exploration permit for the same area, the party that first applied has precedence on the principle of first-come, first-served as found in the claim system.

When an exploration permit has been granted, the landowners and other claimholders affected must be served with, and acknowledge receipt of, a copy of the decision. If the exploration permit is not granted, the applicant has a right to appeal. If the exploration permit is granted, affected landowners and other right holders (such as lessees or holders of reindeer herding rights) have a right to appeal.

The holder of an exploration permit has an exclusive right of exploration for the minerals included in the exploration permit in the area covered by the exploration permit. Before exploration can be started, the exploration permit holder must have a valid work plan, describing the planned exploration work, a timetable for the work and an assessment of the impact it may have on public interests and private rights. The work plan must be notified to affected landowners and other right holders and becomes valid if no objections are raised to the exploration permit holder within three weeks. If the exploration permit holder and the landowners/right holders cannot agree on the work plan, the matter can be decided upon by the Chief Mine Inspector.

The Rönnbäcken Nickel Project consists, inter alia, of six exploration permits (Rönnbäcksjön nr 1, Rönnbäcksjön nr 3 and 4, Rönnbäckssjön 6 to Rönnbäcksjön nr 8), covering a total of 3,718 hectares. The table below summarizes the status of the Project’s exploration permits.

***Exploration permit summary table***

| Exploration Permit Number | Permit Name | Grant Date | Expiry Date | Area (ha) |
|---|---|---|---|---|
| 2005:134 | Rönnbäcksjön nr 1 | 2005-08-01 | 2014-08-01 | 351 |
| 2007:339 | Rönnbäcksjön nr 3 | 2007-12-11 | 2016-12-11 | 72 |
| 2007:340 | Rönnbäcksjön nr 4 | 2007-12-11 | 2016-12-11 | 642 |
| 2009:126 | Rönnbäcksjön nr 6 | 2009-06-25 | 2015-06-25 | 1,683 |
| 2009:161 | Rönnbäcksjön nr 7 | 2009-10-01 | 2015-10-01 | 306 |
| 2010:163 | Rönnbäcksjön nr 8 | 2010-11-04 | 2016-11-04 | 322 |

***Exploitation Concessions***

Exploitation of concession minerals requires granting of an exploitation concession under the Minerals Act. Exploitation is defined in the Minerals Act as the extraction and utilization of a concession mineral. An exploitation concession shall be granted provided that, among other things, a mineral deposit that can likely be exploited commercially has been discovered and the location and nature of the deposit does not make an exploitation concession unsuitable.

If there is more than one applicant for an exploitation concession for an area, the holder of an exploration permit for the area gets priority if the exploration permit and the exploitation concession application concern the same minerals.

An Environmental Impact Assessment (“EIA”) must be submitted together with an exploitation concession application. In the exploitation concession procedure, provisions concerning the use of land and water areas that are of national interest under the Environmental Code are examined. The Chief Mine Inspector decides upon the compatibility of mining operations with national interests after a consultation with the County Administrative Board. The decision by the Chief Mine Inspector in this matter is binding for subsequent assessments of the mining operations under the Environmental Code, which means that the impact on national interests is not re-examined in the procedure to obtain an environmental permit (“Environmental Permit”).

An exploitation concession is granted for a maximum of 25 years. The exploitation concession can then be renewed for ten years at a time, provided that regular exploitation is in progress. It can also be renewed if preparation of the mine, exploration or development work is being undertaken, or if there is a public interest in such renewal.

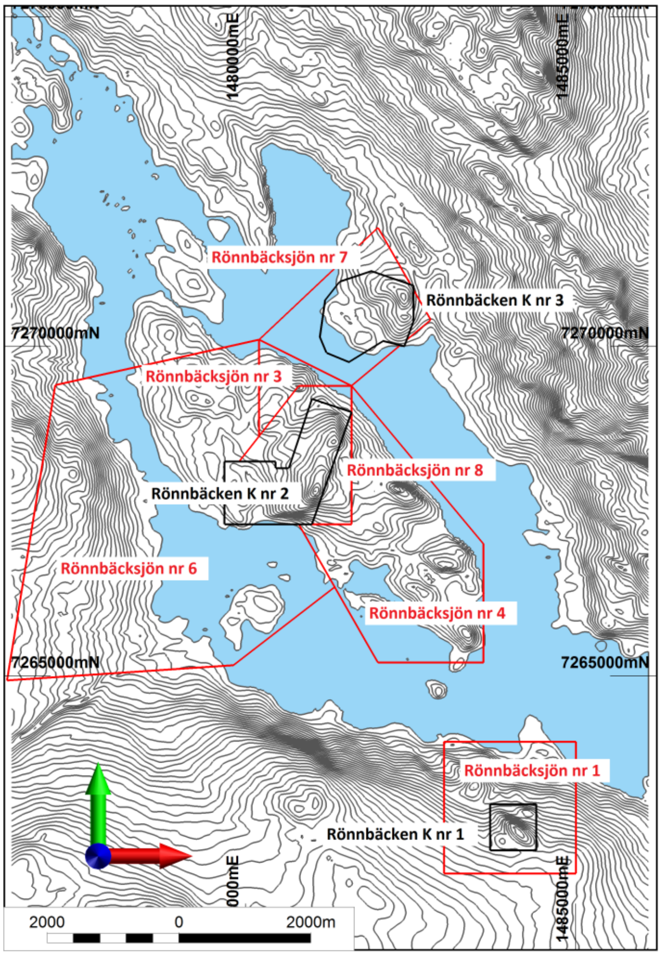
In addition to its seven exploration permits, the Rönnbäcken Nickel Project consists of two exploitation concessions. The exploitation concessions, Rönnbäcken K nr 1 (which covers the Vinberget deposit) and Rönnbäcken K nr 2 (which covers the Rönnbäcknäset deposit) were granted to Nickel Mountain Resources on June 23, 2010 and were transferred to Nickel Mountain AB on the 5th of October 2010. In December 2011, Nickel Mountain Resources submitted an application for exploitation concession including an EIA for the Sundsberget deposit (K nr 3) to the Mining Inspecorate of Sweden, this concession was granted 1 October 2012. The table below summarizes the status of the Project's exploitation concessions.

***Exploitation concession summary details***

| Exploitation concession | Application Date | Status | Area (ha) |
|---|---|---|---|
| Rönnbäcken K nr 1 | 2010-02-12 | Granted 2010-06-23 | 49.0 |
| Rönnbäcken K nr 2 | 2010-02-12 | Granted 2010-06-23 | 195.75 |
| Rönnbäcken K nr 3 | 2011-12-23 | Granted 2012-01-01 | 144.44 |

The figure below shows the location of the exploration permits (black polygons), exploitation concessions granted 2010 (yellow polygons) and the Sundsberget exploitation concession, granted 2012 (red polygon).

***Rönnbäcken Project's exploration permits and exploitation concessions***



### ***Swedish Royalty***

Under the Minerals Act, the holder of an exploitation concession must pay an annual minerals fee (royalty) amounting to 0.2% of the value of the minerals extracted during the year. Three quarters of the fee will accrue to landowners within the exploitation concession area and one quarter will accrue to the State to be used for research and development in the field of sustainable development of mineral resources. If there are two or more real properties within the exploitation concession area, the fee payable to the property owners is determined according to each property's share of the area. In comparison to the royalties levied in other countries with developed mining industries, Sweden's rate is very low.

### ***SGU Classification***

In August 2010, SGU classified the Rönnbäcken Nickel Project as an "Area of National Interest for Mineral Extraction" under to the Environmental Code. SGU noted in its decision that the Rönnbäcken area is important for Sweden's raw material supply and has good potential to support future mining activities.

The Company believes that the designation of the deposits as being of "national interest" is likely to strengthen Nickel Mountain's upcoming application for an Environmental Permit.

### ***Environmental Permit***

After being granted an exploitation concession, the next step in developing a mine is to apply to the Environmental Court (*Sw: Miljödomstolen*) for an Environmental Permit under the Environmental Code. The Environmental Permit will define the conditions for the design, building, operation and closure of the mine. The application must be supported by a comprehensive EIA and formal con0sultations with concerned authorities and stakeholders must take place. When the application is submitted, the Environmental Court will send it together with the EIA to authorities and stakeholders for comments. The Swedish Environmental Protection Agency, the County Administrative Board and the local municipality are normally among the authorities consulted. If construction works affecting water (such as tailings dam, clarification pond) will be included in the Environmental Permit application, the applicant must have a right of disposition of the water before the application is submitted. Right of disposition of the water is normally obtained through an acquisition of the land where the water works will be undertaken or through an easement granted either by the landowner or by an authority. Nickel

In June 2010, Nickel Mountain obtained exploitation concessions for two of the three deposits, namely Vinberget and Rönnbäcknäset, the third deposit, Sundsberget was granted in October 2012. Awards of an environmental permit, issued by government bodies enforcing environmental legislations, will have to be obtained prior to entry into the exploitation phase. No assurances can be given in relation to grant of such environmental permits by government bodies

The Rönnbäcken Nickel Project is situated in an area with identified natural and cultural values, however not of significance to challenge the issuance of permits for mining. The area includes land that has been defined as of national interest for the purpose of reindeer herding. Developing a project in this area will require consultations with the concerned Sámi village to establish possible conditions for mining and reindeer herding to operate in co-existence. Due to the protection of Sami interests, special regulations pertain to Nickel Mountain's operations in certain regions of northern Sweden. Protection of Sami interest may have negative impact on Nickel Mountain's current and future operations in this area. The entire area is part of a vast area defined as national interest for recreational purposes. This is unlikely to be an obstacle for environmental permitting.

An area of national interest for heritage value lies in proximity to the project area, which may require limitations in Nickel Mountain's layout and performance of operations, resulting in increased costs.
In August 2010, the Geological Survey of Sweden classified the Rönnbäcken nickel deposits "an Area of National Interest for Mineral Extraction." The area of interest, referred to as Rönnbäcken, consists of the three known deposits: Rönnbäcknäset, Vinberget and Sundsberget, which in SGU's opinion are all part of the same mineralization and shall therefore be considered as one entire deposit. The SGU further noted in its decision that the area is important for the country's raw material supply and has good potential to support future mining activities. Examples of other Swedish deposits previously classified as areas of national interest are Aitik (copper-gold), Zinkgruvan (zinc-lead-silver), Garpenberg (zinc-lead-silver) and Kiruna (iron). It is expected that the classification as an area of national interest for mineral

extraction, will take precedence over the other national interests while presupposing that impacts to the other national interests are considered acceptable.

***Land Designation***

Land has to be designated for exploitation above ground. The land designation procedure takes place at the request of the exploitation concession holder, by way of special application to the Mining Inspectorate. The procedure defines the land within the exploitation concession area that the exploitation concession holder may use for exploiting the mineral deposit. Land outside the exploitation concession area may also be designated for activities connected with mining operations, including among other things, for plants, roads, buildings and structures for divesting water from the mine. If the exploitation concession holder, the landowners and other right holders can agree, land is to be designated in accordance with their agreement. If no agreement is reached, the Chief Mine Inspector will decide which land should be designated. Nickel Mountain has not yet initiated a land designation procedure.

***Building Permit***

A building permit for building infrastructure is needed under The Planning and Building Act for the development of a mine. The local municipal authority has authority to issue such permit.

## 6.8 Business Units – IGE Diamond AB

IGE Diamond AB ("IGE Diamond") is incorporated and organized under the laws of Sweden company registration number 556668-1630. Its registered office is Kungsgatan 44, SE-111 35 Stockholm, Sweden, telephone: +46 (0)8 402 28 00, facsimile: +46 (0)8 402 28 01.

The company is dormant at present. The exploration permits held by the local subsidiaries of IGE Diamond in the Democratic Republic of Congo (DRC) and South Africa entered in to a default situation during spring 2013 as the management in the parent company in Sweden, at the time, did not pay taxes, land fees, salaries etc related to the permits and the local holding companies.

## 6.9 Business Units – African Diamond AB

African Diamond AB was incorporated under the laws of Sweden in February 2014 company registration number 556962-8323. Its registered office is Kungsgatan 44, SE-111 35 Stockholm, Sweden, telephone: +46 (0)8 402 28 00, facsimile: +46 (0)8 402 28 01.

The background to the registration of the new company is a decision by the present board to try to re-establish the African Diamond line of business within the Group. The company has founded a local subsidiary in DRC currently in discussions with the former local partners holding the Longatshimo concession previously held by NMG before the contracts entered in to a default situation. As soon as the company has managed to re-establish the contracts with the local partners of Longatshimo, the Board of NMG will start the process of distributing the shares to the existing shareholders of the parent company and thereby separate the NMG Group in to one nickel arm Sweden and one Diamond arm in Africa. The distribution of African Diamond AB is estimated to be executed during second quarter 2014.

## 6.10 Legal process against former board related to the proposed purchase of Ghana Gold AB

In the beginning of December 2012 NMG got a new main shareholder in the International Mining Company Amarant Mining Ltd. Amarant immediately called for an EGM, that was held on January 27$^{th}$ 2012, to appoint a new board constituted by Ulrik Jansson, Terje Lien, Hans Lindroth and Jukka Kallio. The board that was appointed by the EGM of December 2012 decided to immediately purchase a company called Ghana Gold AB. The payment of the shares in Ghana Gold was made on January 23$^{rd}$ 2013, despite that not General Meeting was held, no due diligence was carried out and that NMG was close to insolvent immediately after the payment of the shares as a result of the transaction.The purchase of Ghana Gold was done from a close related party to Amarant Mining Ltd as well as the Board members. The price for Ghana Gold AB amounted to SEK 150 million, SEK 50 million in cash and an additional SEK 100 million in shares. Although the purchase was subject to an approval by an extra general meeting, the Board at the time decided to transfer the SEK 50 million on the 23$^{rd}$ of

January without shareholder approval. The Board was reported to the Swedish Economic Crime Authority by the company auditors, KPMG, on the 23rd of March. A pre investigation by the police is on-going and is expected to be finalized during spring 2014.

The Board at the time proposed to an extra general meeting, held on the 25th of April, to give authorization for the Board to decide upon a share issue directed towards Alluvia Mining for the remaining part of the purchase price of Ghana Gold. Amarant Mining Ltd, the main shareholder at the time of both NMG and Alluvia Mining, voted in favour of the proposal, which was adopted.

The approval of the transaction on the EGM of April on 2013 was contested by a group of Norwegian shareholders in the district court in Stockholm and the decisions related to the purchase of Ghana Gold was declared invalid by the Court. According to the contract signed by the former board, the payment of SEK 50 million should immediately be repaid to NMG by Alluvia Mining if the purchase was stopped at a General Meeting. As per the expiration of April 2014 the cash payment of SEK 50 million has not been returned.The Board, at the time, made a second attempt to pass the proposed purchase on the Annual General Meeting held on the 2nd of August 2013 but the meeting voted down the proposal. The Board is currently working on getting the money refunded by Alluvia, so far without success.Based on the information received by NMG at present, Alluvia Mining seems to be an empty shell company holding no assets in combination with a heavy burden of debts.

This has resulted in that NMG now having a claim on the seller Alluvia Mining Ltd amounting to 50 MSEK, before interest compensation and additional claims in respect of damage caused to NMG by the transaction. A leading Swedish law firm is preparing a civil law suit against the former board for damages. The law suit will be filed to the District court of Stockholm during second quarter of 2014. The ability of the former board members to in the end pay compensation to NMG will get evident after a potential future successful court ruling from NMG's perspective.

There is another element, which should be taken in to consideration when analysing the value of NMG's claim on Alluvia Mining Ltd. At the time of the Ghana Gold transaction, NMG had paid for a Board and management liability insurance. The insurer was an international insurance company. The nature of such liability insurance is that it covers the individual Board- and management members from claims up to a ceiling amount provided the damage or claim is deemed to fall within the framework of the insurance. It is therefore not the company NMG, which is insured and claims insurance compensation. The insurance coverage shall in such case be claimed by the old Board members of NMG when they potentially are ruled to be liable to pay compensation to NMG in a court process. The international insurance company has not yet accepted to be liable for paying out compensation. The legal advisors of NMG, however, believe NMG has a good case to in the end convince the insurance company to pay out compensation to the old board members, and therefore indirectly to NMG.

For prudence reasons, NMG has though, decided to write down the claim on Alluvia Mining by MSEK 20 in the last quarter of 2013. This has no implications on the legal case whatsoever.

## 6.11 Property, Plants and Equipment

The Company rents administrative office space located in the city centre of Stockholm, Sweden. The facilities serve as the general corporate and operational headquarters.

As of today the Group's main tangible fixed assets relate to the ownership of equipment and furnishings valued at SEK 0.2 million as per the December 31st 2013.

## 6.12 Research and Development of the licences

The main investments in Nickel Mountain Group relate to the exploration and development of the Rönnbäcken licence owned by the Group. The investments within the Group have been significant throughout history and relate mainly to the development of the former diamond projects in Angola; Luxinge, Cassanguidi and Lacage projects as well as the Bidjovagge and Stekenjokk projects in Scandinavia.

The following table shows the capitalised exploration and development expenditures (figures in SEK million):

| 31 December 2013 | 31 December 2012 | 31 December 2011 |
|---|---|---|
| 3.1 | 16.3 | 21.6 |

The decrease in invesments during the latest three years is mainly a result of the downsizing of the Group's activities in general and in Africa in particular. The Group stopped to invest in further development of the projects within the African Diamond project portfolio held by the Group in late 2011. Key focus has been the development of the Nickel Project in Rönnbäcken since. The investment level during 2013 was affected seriously by the purchase of Ghana Gold that drained the cash balance of the Group in beginning of the year. The company became close to insolvent shortly after the Board's payment of the SEK 50 million and faced a challenging situation financially as a result of the Board's inexplicable decisions made during the period January to August 2013.

According to the accounting principles currently used by Nickel Mountain Group, the Group is capitalizing the main part of the expenditures related to research and development of mineral assets in the balance sheet. As long as Nickel Mountain Group considers the project to have the potential to become profitable and the license is in force, expenditures related to the project are capitalized. If Nickel Mountain Group halts its continued work due to the project being considered uneconomically viable, or if the license has expired, the capitalized amount related to that project is written off in the profit and loss statement. As a project becomes more advanced and enters into a production phase, it is reclassified from being treated as a mineral interest in the balance sheet into a "Mine and other development asset". When a project reaches that phase, the depreciation of the investment in the project commences over a time span in accordance with the estimated life of mine.

## 6.13 Patents and Licences

The Group is not dependent on any patents, IPR or technical licences, financial contracts or new manufacturing processes.

The Company is, furthermore dependent on mining rights such as exploration licences in order to conduct exploration and obtain exploitation concessions and subsequent environmental permits in order to extract mineral resources from the assets of the Group. The conditions of the licence agreements vary to some extent depending on which country it is located. In the Nordic region, the operator has to apply for exploitation concessions, which are conditional on various environmental permits having been received.

## 6.14 Environmental issues of importance to NMG

All phases of exploring, developing and producing minerals and metals present environmental risks and are subject to various environmental regulations. Environmental regulations provide for, among other things, restrictions on operational behaviour, prohibition on spills, emissions and application procedures for conduct of activities.

The regulatory frameworks in the appropriate destinations of which NMG operates might differentiate, but in general mining projects must have various permits, licenses and approvals in place before production can be started. During the lifetime of a mining project, regulations can be changed in accordance with relevant laws and regulations. The scope for this also includes environmental issues, i.a. waste disposal, blasting, noise, dust etc.

Environmental issues are highlighted above under the various descriptions of the projects where appropriate.

## 6.15 Additional Information

***Share capital***

The Company's share capital as of the date of this Prospectus is SEK 10,613,860.50 divided into 21,227,721 shares, each with a quota value of SEK 0.50. The Company's share capital is fully paid up. All Shares of the Company are of the same class and equal in all respects. Each Share carries the right to one vote in general meetings.

The Company's statutory share register is operated through the Euroclear in Sweden. The Shares are also registered in the VPS in Norway. The Company's Euroclear registrar in Sweden is Nordea. The Company's VPS registrar in Norway is DnB Bank ASA. The international securities number ("ISIN") for the Company's Shares is SE 000378119.

***Articles of Association***

The objectives and purpose of the Company is to solely, through subsidiaries or through co-operation with others, engage in mining and mineral prospecting, as well as to own and administrate real and personal property, and to conduct other activities compatible therewith.

According to the Articles of Association the Board of Directors shall have at least three (3) and a maximum of six (6) members. The Articles of Association does not provide for limitations on the transferability or ownership of Shares. The Articles of Association contains no provisions restricting foreign ownership of Shares. There are no limitations under Swedish law on the rights of non-residents or foreign owners to hold or vote the Shares.

The Articles of Association is attached as Appendix 1 to this Prospectus.

***Documents on display***

The documents listed below (or copies thereof) will be available for inspection for the duration of the Prospectus on the Company's website www.nickelmountain.se and at the Company's headquarters at Kungsgatan 44, SE-111 35 Stockholm, Sweden during normal business hours:

a) the memorandum and Articles of Association of the Company;

b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the Prospectus; and

c) the historical financial information for the Company and its subsidiary undertakings for each of the three financial years preceding the publication of the Prospectus (2011, 2012 and 2013).

# 7 MANAGEMENT, BOARD AND CORPORATE GOVERNANCE

### *Executive management and employees*

The only current member of the executive management of the Company is Torbjörn Ranta, who is acting as CEO and CFO on a consultancy basis.

As of the 31 December 2013, the Group had 3 employees.

### *Auditor*

Mazars, with authorized auditor Johan Kaijser as head auditor is the independent auditor for the Company, and has been the Company's head auditor since April 2013. Johan Kaijser's address at Mazars AB is Mäster Samuelsgatan 56, Box 1317, SE-111 83 Stockholm.

Johan Kaijser, is a member of the Swedish Institute of Public Accountants (Sw. Föreningen Auktoriserade Revisorer).

### *Major shareholders*

As far as the Company is aware, there is no natural or legal person who directly or indirectly has a shareholding of 5% or more in the Company, other than the shares held by Altro Invest AB, through the nominee account of DnB Bank ASA. Altro Invest AB borrowed money to Amarant Mining Ltd in conjunction to their purchase of 29.7% stake in NMG in December 2012. Altro received a pledge in the NMG shares purchased by Amarant. As a result of Amarant's default with regard to the repayment of the capital borrowed from Altro, Altro called for the pledge during summer 2013 and became, as a consequence, the main shareholder of NMG.

### *Related party transactions*

As at the date of this Prospectus, the Company is party to the following agreements with related parties:

- NMG in January 2013 transferred 50 MSEK as a part payment in advance referable to a proposed purchase of a company called Ghana Gold AB from Alluvia Mining Ltd. Alluvia Mining at that time was a related party through its director of the Board, Terje E Lien, who also was a director of the NMG board at the time of the transfer. This transaction is described in more detail in other sections of this financial report. The above mentioned transaction is based on the principle of "arms length" pricing and market terms.
- Altro Invest, the single largest shareholder of NMG since August 2013, has supported NMG with a short-term loan facility during the second half of 2013. The facility was extended with a maximum amount to draw down of 4 MSEK. The interest rate is 7.5% p.a. and the loan formally expires in early May 2014. Altro Invest has declared its intention to, as soon as possible; allow conversion of the loan to equity by accepting a directed issue of shares. An EGM is being prepared for conducting said share issue, and will take place as soon as possible in early spring 2014.
- A 4 MSEK loan was offered to NMG in May 2013 by the former Board member Ulrik Jansson. It carries an interest rate of 12% p.a and has a duration of 3 years. Mr. Jansson resigned from the Board of NMG in the end of April 2013.
- The Board member Svein Breivik and Deputy Board member Erlend Henriksen offered short-term interest free loans to NMG in autumn 2013. In total NMG borrowed the equivalent of some 600 TSEK in this way via said two representatives.
- During the first half of 2013, after Amarant Mining had taken over as main shareholder, and a new Board was appointed, one after the other of the old management members either left or was asked to leave. When Altro Invest and the Norwegian minority shareholders appointed a new Board of Directors on August 2, 2013, NMG was in deep crisis, without cash to pay the daily bills and without management. The newly elected Board on August 2, therefore also had to take over the executive work. One of the then appointed Board members accepted to become Acting Managing Director, but all board members and the Deputy Board member had to start working hands on to save the company. In such way, the Board members and the

Deputy Board member had to do a lot of management work during the second half of 2013. For this, they have invoiced NMG for professional services over and beyond normal board duties. In total professional services amounting to some 2 200 TSEK have been invoiced to NMG up to year-end 2013 by these members.

## 7.1 Board of Directors

In accordance with Swedish law, the Board is responsible for conducting the Company's affairs and for ensuring that the Company's operations are organized and controlled in a satisfactory manner. For information regarding the Board's relation to the Company in addition to being a director of the board, see below section concerning Related Parties transactions.

The Board of Directors of the Company is comprised of Stefan Persson (chairman and member of the board), Björn Rohdin (member of the board), Svein Breivik (member of the board), Ole Weiss (member of the board) and Erlend Dunér Henriksen (deputy member of the board)

***Presentation of the members of the Board***

The Board of Nickel Mountain Group has five members. Pursuant to Swedish law, the directors are elected for a term lasting to the next Annual General Meeting. The table below sets forth the Company's Board at the date of this Prospectus:

| Name | Position | Member since | Term expiry | Business address |
|---|---|---|---|---|
| Stefan Persson | Chairman and Director | Director and chairman since 2013 | 2014 | Kungsgatan 44, 111 35 Stockholm, Sweden |
| Björn Rohdin | Director | 2013 | 2014 | Kungsgatan 44, 111 35 Stockholm, Sweden |
| Ole Wess | Director | 2013 | 2014 | Kungsgatan 44, 111 35 Stockholm, Sweden |
| Svein Breivik | Director | 2013 | 2014 | Kungsgatan 44, 111 35 Stockholm, Sweden |
| Erlend Dunér Henriksen | Deputy director | 2013 | 2014 | Kungsgatan 44, 111 35 Stockholm, Sweden |

***Stefan Persson (born 1954), Chairman and Director (0 Shares and 0 warrants)***

Mr Stefan Persson has been working as an Attorney since 1984 with focus on Civil Law, Bankruptcy Law and Criminal Law. Mr. Persson is a member of the Swedish Bar Association since 1984 and is member of the board of several, non-listed companies. He studied Law at the University of Stockholm 1973-1978, followed by court practice between 1979 and 1981. He then worked as Assistant Lawyer at different law firms between 1981-1984.

***Björn Rohdin (born 1949), Director (0 Shares and 0 warrants)***

Mr Rohdin holds a Bachelor of law from 1977 and further academic studies in Economics and Business Administration. Career judge 1977-1985. Expert in international taxation at the Swedish National Tax Board 1986-1987 and Head of international tax section there, 1988-1991. Solicitor from 1991 and member of the Swedish Bar Association 1993-2008.Partner at Landahl advokatbyrå later on Landahl & Wistrand Advokatbyrå, and as solicitor mainly working with international law and tax law. He moved to Zug in Switzerland 2008 employed by Eclipse Trading AG, being the company s legal counsel, mainly working with trading but also as consultant for external clients concerning structural legal aspects. Since autumn 2012 he has his own international law consultancy in Zug.

***Ole Weiss (born 1950), Director (366 Shares and 0 warrants)***

Mr Weiss was work as sales Engineer at Sala Tolu AB, Sweden from 1976-1979. Existing CEO of Weiss International since 1979. Weiss International is an engineering Company 100 % owned by Ole Henrik Kikkenborg Weiss. Weiss International is mainly into wastewater treatment and other environmental technologies. Ole Weiss is a Danish citizen.

***Svein Breivik (born 1945), Director (127,000 Shares and 0 warrants)***

Mr Breivik is a Lawyer from Oslo University. Held various positions in Norsk Hydro for 30 years, including Senior Vice President International Exploration and Production and country manager for Russia and Angola/Sub-Saharan Africa. Breivik has also been Statoil's country manager for Iraq and Managing Director of Nord-Offshore a.s in Sandnessjøen, Nordland. Svein Breivik is a Norwegian citizen.

***Erlend Dunér Henriksen (born 1961), Director (33,501 Shares through controlled companies and 0 warrants)***

Studies in Economics at the University of Mannheim in Germany from 1985 to 1990. From 1990 to the present founder and self-employed in Germany and Norway. From 2007 to the present director of a 100% owned construction company.

***Independency***

The board satisfies the requirement of the Norwegian Code of Practice for Corporate Governance of having two board members independent of shareholders owning more than 10% of the Company's share capital and half of the members independent of the executive management of the Company and the Company's material business contacts. Two ordinary members of the Board are considered to be independent of the Company's major shareholders, executive management and material business contacts.

Consequently, the composition of the Board of Directors complies with the Norwegian Code of Practice for Corporate Governance which the Company has chosen to apply as a listed company on the Oslo Stock Exchange.

Fraudulent offences, bankruptcies, receiverships and liquidations

None of the Company's board members have within the last five years preceding the date of this Prospectus been;

- convicted in relation to a fraudulent offence;
- involved in any bankruptcies, receiverships or liquidations as member of the board, management, supervisory body, as partner with unlimited liability, founder or as senior manager; or
- subject to any official public incrimination and/or sanctions as such person by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a issuer or from acting in the management or conduct of the affairs of any issuer.

## 7.2 Management

The management of the Company is described in this section.

The table below sets forth the management of the Company:

| Name | Position | Business address |
|---|---|---|
| Torbjörn Ranta | CEO | Kungsgatan 44, 111 35 Stockholm, Sweden |

***Torbjörn Ranta (born 1962), CEO (0 shares and 0 warrants)***

Mr. Ranta has more than 15 years of international and commercial experience from publicly listed companies in the natural resources industry (mainly in oil and gas). Mr Ranta worked as CEO for Vostok Nafta Investment Ltd (1996-2001) and later as CEO for Vostok Oil Ltd (2001-2002). Between 2004 and 2009 he was CEO for the gold exploration and production company Central Asia Gold. Since 2009, he has worked as a senior consultant to external clients with focus on Eastern Europe. Recent clients include for example Alpcot Capital management Ltd. He has held directorships on the boards of Vostok Nafta Investment Ltd (1996-2001), North Atlantic Natural Resources (1998-2001), Central Asia

Gold AB (2004-2009), Malka Oil AB (2006-2009), Tomsk Refining AB (2007-2011) and Urals Energy Ltd 2012 – 2013. He has a degree in Business Administration from the Stockholm School of Economics. Mr. Ranta is a Swedish citizen and resides in Stockholm, Sweden.

***Fraudulent offences, bankruptcies, receiverships and liquidations***

None of the members of the executive management of Nickel Mountain Group have within the last five years preceding the date of this Prospectus been;

- convicted in relation to a fraudulent offence;
- involved in any bankruptcies, receiverships or liquidations as member of the board, management, supervisory body, as partner with unlimited liability, founder or as senior manager; or
- subject to any official public incrimination and/or sanctions as such person by statutory or regulatory authorities, other than stated below,been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

  -The board members Ole Weiss, Erlend Dunér Henriksen and Svein Breivik were sanctioned by the Swedish Financial Supervisory Authority during 2013 for their failure to adhere with the market notification requirements related to share trades and reporting deadlines related to such.

## 7.3 Conflicts of Interest, etc.

Nickel Mountain Group has taken reasonable steps to avoid potential conflicts of interests arising from all related parties' private interests and other duties to the extent possible, and if such occurs, to mitigate any conflict of interest. It is the view of the Company that the scope of potential conflicts of interests between the director's duties to the Company and their private interests and / or other duties is limited. The directors do not participate in the discussion or decision making of subjects that might be in conflict of their different interests.

There are currently no potential conflicts of interest between any duties to the Company or its subsidiaries, of the Board or the executive management, and their private interests or other duties. There are no family relations between any of the Company's board members or management. There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any member of the administrative, management, supervisory bodies or executive management has been selected as a member of the administrative, management or supervisory bodies or member of senior management. For further information, see also Related Parties Agreements, chapter 11..2

The following table includes the names of all companies and partnerships of which members of the Board and senior management has been or presently is a member of the administrative, management or supervisory bodies or partner (apart from the directorship in Nickel Mountain Group) at any time over the five years preceding the date of this Prospectus:

| Name | Current Directorship | Directorships previous 5 years |
|---|---|---|
| Stefan Persson | Nickel Mountain Group AB, | - |
| Björn Rohdin | Nickel Mountain Group AB, | Nickel Mountain Resources AB, Nickel Mountain AB, i Eclipse Trading AG, Zug,Schweiz |
| Ole Weiss | Nickel Mountain Group AB, | IGE Nordic AB, IGE Resources AB, IGE Diamond AB, African Diamond AB, Weiss International |
| Svein Breivik | Nickel Mountain Group AB, | - |
| Erlend Dunér Henriksen | Nickel Mountain Group AB | IGE Diamond AB, African Diamond AB |

| | | |
|---|---|---|
| Torbjörn Ranta | - | Malka Oil AB, Tomsk Refining AB, Torvald Ranta Företagsjuridik AB, Mitra International AB, Ural Energy PLC |

## 7.4 Remuneration and Benefits

***Board of directors***

The Company has not granted any loans, guarantees or other similar commitments to any member of the Board and there are no agreements regarding extraordinary bonuses to any member of the Board, except from the agreements referred to in section Related Parties Transactions. There are no agreements with any members of the board which provide for compensation payable upon termination of the directorship.

The members of the Board's remuneration for 2012 and 2013 are set out in the tables below:

The Board's remuneration for 2013 was resolved by the Annual General Meeting in August 2013 and will be paid out after the Annual General Meeting 2014.

| Board member | Remuneration 2013 (SEK |
|---|---:|
| Stefan Persson | 250,000 |
| Björn Rohdin | 150,000 |
| Ole Weiss | 150,000 |
| Svein Breivik | 150,000 |
| Erlend Dunér Henriksen | - |
| **Total** | **700,000** |

The Board's remuneration for 2012 was resolved by the Annual General Meeting on May 10th 2012 and was paid on a monthly basis with one twelfth each month from AGM to AGM.

| Board member | Remuneration 2012 (SEK) |
|---|---:|
| Jaques McMullen | 351,000 |
| Cheryl Brandon | 351,000 |
| Phil Gross | 351,000 |
| Tim George | 351,000 |
| Magnus B Lindseth | 351,000 |
| Fredrik Lindgren | 585,000 |
| **Total** | **2,340,000** |

***Executive management***

The remuneration to the Company's executive management is described below:

Total costs including salary, social cost, pension cost and additional benefits for management during 2013 is set forth below:

| Executive Management | Remuneration 2013 (SEK) |
|---|---:|
| Thomas Carlsson including a 10 month retrenchment package (CEO Jan-April 2013) | 2,096,000 |
| Terje Lien (CEO May-July 2013) | 926,000 |
| Björn Rohdin (CEO August - December 2013) | 236,000 |
| **Total** | **3,258,000** |

There are no agreements with any member of management which provide for compensation payable upon termination of employment.
Shareholdings and warrants of members of the executive management and the Board

The following table sets forth the number of Shares and warrants held by board members (privately or through controlled companies) of the Company as at the date of this Prospectus.

| Board member | Shares | Warrants |
|---|---|---|
| Stefan Persson | - | - |
| Björn Rohdin | - | - |
| Ole Weiss | 366 | - |
| Svein Breivik | 127,700 | - |
| Erlend Dunér Henriksen | 33,501 | - |
| **Total** | **161,567** | **0** |

The following table sets forth the number of Shares and warrants held by the Company's executive management as at the date of this Prospectus.

| Executive management | Shares | Warrants |
|---|---|---|
| Torbjörn Ranta | - | - |
| **Total** | **0** | **0** |

***Pension obligations***

Nickel Mountain Group fulfils the requirements according to Swedish applicable law on required pension. Nickel Mountain Group personnel have pension insurances that give them the right to receive future pension payments that are dependent of how the amount contributed is administrated by the insurance company. See the table below for specification of the pension related expenditures for the executive management in 2013 and 2012.

| Executive management | 2013 (SEK) | 2012 (SEK) |
|---|---|---|
| Thomas Carlsson | 299,000 | 272,000 |
| Fredric Bratt | 351,000 | 330,000 |
| **Total** | **650,000** | **602,000** |

## 7.5 Board Practices

***Compensation for termination***

No members of the administrative, management or supervisory bodies have service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.
The Company has not granted any loans, guarantees or other commitments to any member of the Board and there are no unusual agreements regarding extraordinary bonuses to any member of the Board.

***Nomination committee, audit committee and remuneration committee***

The Annual General Meeting of 2013 passed the resolution below detailing the principle for the election of members of the Nomination Committee before the Annual General Meeting 2014:

The Chairman of the Board shall, contact the two largest shareholders in the Company according to the shareholder register as per 30 September 2013. These two shareholders shall in turn appoint a representative each of the Nomination Committee. The appointed representatives shall together with the Chairman of the Board constitute the Nomination Committee. If the contacted shareholders waive their right to appoint a member of the Nomination Committee, the Chairman shall contact the third largest shareholder etc. The names of the Nomination Committee members shall be announced well before the Annual General Meeting 2014. The Nomination Committee is responsible for nominating directors to the Board of Directors, and for proposing to the General Meeting the remuneration to the Board of Directors, as well as other duties following from the Swedish Code of Conduct.

The Company has not established a separate audit committee. The Board will have a meeting with the responsible Auditor during the last Board meeting before the Annual General Meeting of every year. During this meeting the Board along with the responsible Auditor will review the accountings and the work of the management regarding the financial reporting for the year of operations. The Board also receives updates on an interim basis regarding the financials of the Group, budgets and accountings in order to have a continuous and sufficient perception of how the Group is run from an accounting perspective. If the Board is notified of potential issues, these will be addressed in the upcoming Board meeting. The Board considers this current solution to be a preferable alternative, compared to appointing an Audit committee, as the whole Board becomes automatically involved in, and more aware of, the Group's accounting and the needs related to the auditing of different companies.

A remuneration committee consisting of two representatives from the Board was elected to the constitutional Board meeting held after the Annual General Meeting in August 2013; the representatives elected were the Chairman and Ole Weiss. The remuneration committee is responsible for proposing the remuneration to the Company's management.

### *Corporate governance*

The corporate governance principles of the Company comprise the framework of guidelines and management principles regulating the division of roles between the owners, board of directors and executive management of a company.

Nickel Mountain Group is of the opinion that sound corporate governance contributes to increased shareholder value through improved growth and higher profits, as well as lower capital expenditures. Corporate governance in the Company is based on openness and equal treatment. Investor confidence is maintained and developed through open and accountable investor information. The Board and the management are committed to ensuring transparency within the business, fair treatment of all shareholders and accountability in all forms of communication.

The Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (the "Code of Practice") applies to the Company as part of the listing at the Oslo Stock Exchange. The Company aims to comply with the Code of Practice, but will to some extent deviate from certain of the recommendations of the Code of Practice due to the different practice and principles under which Swedish public limited companies operate. The Company follows and applies the Swedish Code of Conduct.

The Code of Practice is a "comply or explain" guideline and the Board will state and explain any deviation by the Company from the recommended guidelines in its annual reports. The Company will post its corporate governance principles on its website.

The Company follows the Code of Practice, maintains high standards of corporate governance and is committed to ensure that all shareholders of the Company are treated equally. As per the date of this Prospectus, the Company complies with the Code of Practice except in relation to the following; Appointment of an Auditing Committee. This deviation from the Code of Practice is explained in the section above.

## 7.6 Employees and Consultants

### *Employees*

The number of employees of the Group by 31 December 2013 was 3. The average number of employees during 2012 was 6 and for 2011 54.

The significant decrease of employees during 2011 was a result of the withdrawals from the Diamond mines in Angola, Luxinge and Cassanguidi along with the overall cost reduction programme that was launched during 2011. The significant decrease of number of employees was not a result of unexpected circumstances but the result of an implementation of the Company's strategy of operating activities.

As of the 31 December 2013, the Group had employees distributed among the countries of operations as set out in the table below:

| | |
|---|---|
| Nickel Mountain Group | - |
| Subsidiaries | 3 |
| **Group** | 3 |
| *Geographic Location* | |
| Sweden | 3 |
| **Total** | 3 |

***Hired consultants***

The Group on a continuous basis hires external consultants with expertise within the business segments in which the Company operates. Such consultants include, inter alia, Mitchell River Group for the development of the Rönnbäcken Nickel Project, SRK for preliminary studies of Rönnbäcken, Swedish Geological AB for help concerning the establishment of guidelines and policies related to corporate social responsibility.

# 8 MARKET OVERVIEW

***Nickel Mountain Group's Principal Market***

Final products will be sold through regulated commodity exchanges if such market places for the different commodities exist. With respect to the most common base and precious metals, for example gold, copper and nickel, there are regulated market places and the market as such is to be considered global.

The running operations of the Group are conducted in Sweden whereas their future principal sales are to be considered directed to the global market. The resources expected to be explored and exploited from the currently held licences are diamonds, nickel and magnetite. '

Please note that the information below partly is depending on forward-looking estimates and statements and thus reference is made to section 4, Forward-looking statements.

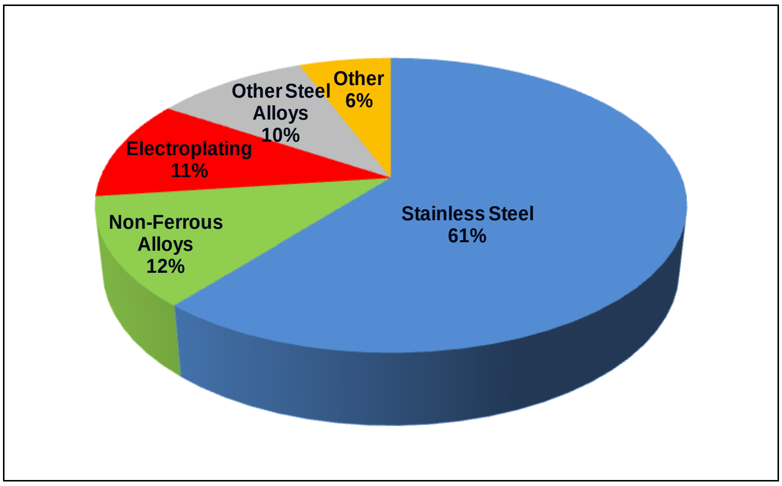
## 8.1 Nickel

***General overview***

Nickel is mainly used for producing stainless steel, nickel alloys, plating products, foundry steels, and battery materials. Stainless steel is by far the dominant sector accounting for approximately 66% of global nickel demand. Applications for stainless steel include process industries, power generation, oil and gas industries and construction. Russia is the world's leading nickel producer, accounting for around 20% of global nickel production. Other major nickel producers are Canada, Australia and Indonesia. Some of the industry's most well known producers are MMC Norilsk Nickel, Vale, BHP Billiton, Xstrata plc, Jinchuan Group Limited and Eramet; together they account for over 60% of primary nickel production.  All the information below is to be found in the SRK Technical report 43-101 on behalf of Nickel Mountain Group.

Nickel has a high dependency on a single end-use sector – stainless steel.  Globally, stainless steel accounts for 61% of nickel consumption.

***Nickel Consumption by First Use***




*Source: Nickel Institute*

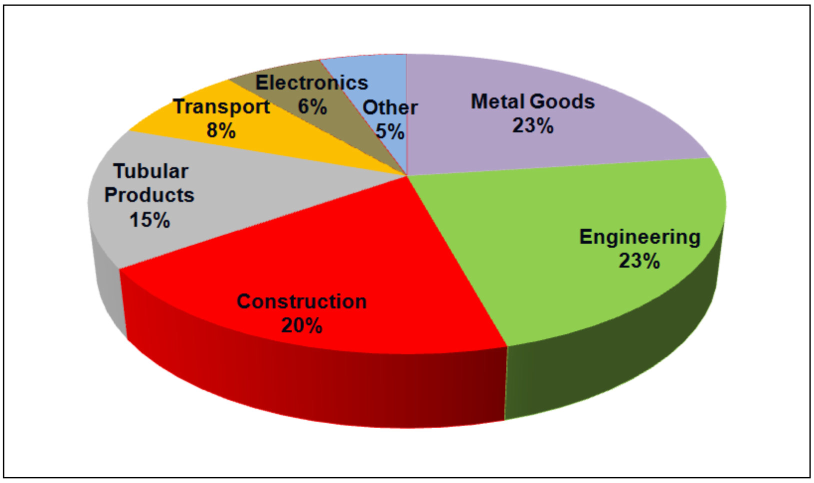
Stainless steel refers to a group of steels having properties of high temperature and corrosion resistance. Chromium supplies the basic corrosion resistance, and all stainless steels have a minimum 10.5% chromium content. There are five families of stainless steel: austenitic, ferritic, martensitic, precipitation hardening and duplex. By varying the chemical composition, a wide range of properties is achieved.  The last three groups have specialized properties and low market share. The mainstream stainless steels can be found in one of two groups, austenitic stainless steels or ferritic stainless steels.

Austenitic stainless steels are based on chromium and nickel, with additions of manganese, nitrogen and molybdenum. The addition of nickel or manganese alters the microstructure of the steel increasing its weldability and formability. Nickel also enhances the corrosion resistance provided by chromium. Historically, austenitic stainless steels ranged between 71-79% of total stainless steel production. The austenitic grades are further broken down into low nickel 200 series stainless steels and the regular 300 series stainless steels. The 300 series nickel containing stainless steels and, especially the all-purpose 304 and 316 grades, have been the workhorses of the stainless steel industry accounting for 50-60% of all stainless steel produced.

Ferritic stainless steels are plain chromium stainless steels containing no nickel, and are commonly referred to as the 400 series stainless steels. The basic alloy contains 11% chromium and 1% manganese. These alloys can be hardened by heat treatment, but have less resistance to corrosion. The 400 series account for around 24-28% of stainless steel production.

The growth in consumption of nickel is closely linked to the growth of stainless steel production. The strong growth of the stainless steel sector is the principal driver behind the growth of nickel demand during the last thirty years. Since 1990, growth in stainless steel production has been around 5% per annum.
The strong growth in demand for stainless steel can be attributed to its excellent properties relative to competing materials. Stainless steel is chosen for its long life, anti-corrosion properties, aesthetic appeal, ease of forming and compatibility with foodstuffs. The popularity of stainless steel is attributable to the wide range of applications found in almost every industry.

***Stainless Steel Applications***




*Source: Nickel Institute*

The non-stainless end-use sectors comprising around 39% nickel consumption help in buffering the stainless steel micro-cycle of stocking and de-stocking. The foundry and nickel alloys sectors are currently experiencing good business, especially from the oil and gas, power generation and battery industries.

In 2012, total nickel consumption was 1.24 million tonnes, according to the INSG. China alone accounted for 36% of consumption. The demand for nickel is expected to continue well into the long-term. Expansions of stainless steel production capacity and the emergence of the newly industrialized Asian economies as consumers will remain key drivers behind sustained nickel demand for the long-term future. For the next ten years, global stainless steel capacity is set to grow by 5% per annum, an increase of 22 million tonnes, according to Raw Materials Group. Most of this will be concentrated in Asia, with a major focus on China. At the end of 2012, the three largest producers of stainless steel were located in Asia. A fair but conservative forecast is that the world nickel demand will grow by 4% per annum long-term.

***Nickel Supply***

Since 2000, world refined nickel production has increased at a rate of 2.7% per annum, an increase of about 250,000 tonnes by 2009. In 2009, refined nickel production was 1.33 million tonnes according to

INSG – a small surplus compared to the 1.24 million tonnes of consumption. The growth in nickel production in recent years has primarily occurred through brownfield expansions - the most economical and timely way for established nickel producers to grow refined production. During this time, only two integrated greenfield projects of size were brought on-stream, Anglo's American plc's Loma de Niquel ferronickel smelter in Venezuela, and the Pohang Iron and Steel Company Pohang ferronickel smelter in South Korea.

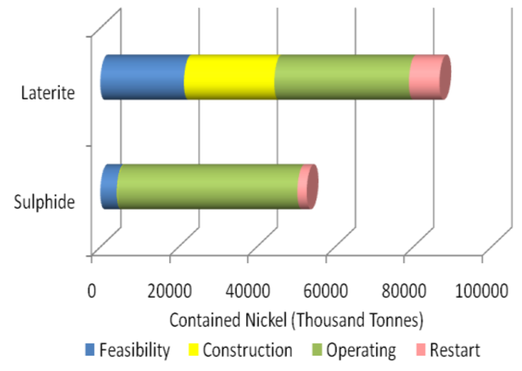
Due to a dearth of discoveries of large sulphide nickel deposits in the last couple of decades, nickel companies turned increasingly to laterite resources and high pressure acid leach ("HPAL") technology to generate new supplies of nickel. In the next 10 years, around 390,000 tonnes of new annual nickel capacity could come from projects using HPAL. However, there are major drawbacks associated with HPAL technology. A fair number of deposits are found in remote, tropical areas where power plants and infrastructure need to be built. The processing technology is complex and is still under development for nickel extraction. The technology needs to be tailored to the mineralogy of the ore, in effect, each plant is a unique design. Unlike sulphide projects where only a mine and mill need to be built in order to have a sellable intermediate product, HPAL projects need at minimum, the mine, a hydromet plant and an acid plant or source of acid. For these reasons, the capital costs for HPAL plants are prohibitive with the cost of typical 60,000 tonnes per annum operations now breaching USD 4 billion. Energy consumption is high with these plants. As a result, these greenfield projects face long lead times and daunting capital expenditures for project development.

Beginning in 2005, the nickel market was facing a prolonged deficit of supply given a scarcity of identifiable, economic nickel projects to meet the growing demand for nickel. As a consequence, low nickel pig iron ("NPI") emerged in China as a new source of nickel for its burgeoning stainless steel industry. Imported limonite ore from the Philippines and Indonesia was treated in iron blast furnaces to generate a crude ferronickel between 2 to 7% nickel. This product went almost exclusively into the production of lower quality low-nickel stainless steels. The low nickel pig iron quality was improved with the use of electric furnaces treating higher grade saprolitic laterites. This resulted in a product with nickel grades of up to 14% and fewer impurities, making it highly amenable for use in the production of 300 series stainless steel.  This product has successfully been used as a replacement for scrap in the production of nickel-bearing austenitic stainless steel. By the end of 2012, an estimated 90,000 tonnes of nickel in NPI was processed in China according to INSG statistics, with just over half produced in electric arc furnaces. The cost of producing nickel pig iron has increased over the past years as the price of the nickel ore used in its manufacture has risen in line with the increase in the nickel price, and the product is generally located at the upper end of the cost curve. For this reason, NPI is regarded as swing production, with significant volumes appearing on the Chinese market when the nickel price is in the USD 11.00 to USD 12.00 per pound range. NPI producers face similar cost pressures as nickel metal producers, and NPI costs are expected to rise as energy prices rise, and the Chinese renminbi appreciates. According to Commodities Research, Macquarie Securities Group, by 2015, average costs of NPI are expected to be 20% higher.

Historically, nickel mine production has predominantly been based on sulphide ores which are amenable to simplified flowsheets (when compared to HPAL) incorporating proven technology of crushing, grinding, flotation concentration followed by refining. Laterite ores were mainly utilized in the production of ferronickel in smelters using pyrometallurgy.  However, approximately 63% of known global nickel resources are contained in laterites

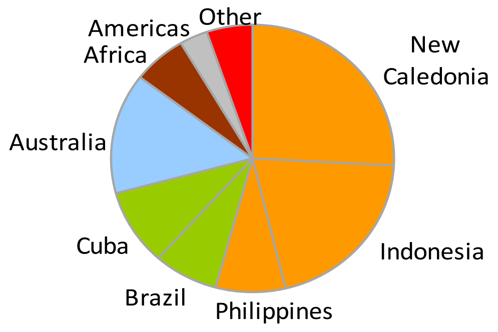
Hence, new mine supply is expected to increasingly be from lateritic ore, as the availability of sulphide ores diminishes. Laterite mine production is estimated to have surpassed sulphide production in 2011 according to RMG.

***Nicked Resources by Ore Type and Status***



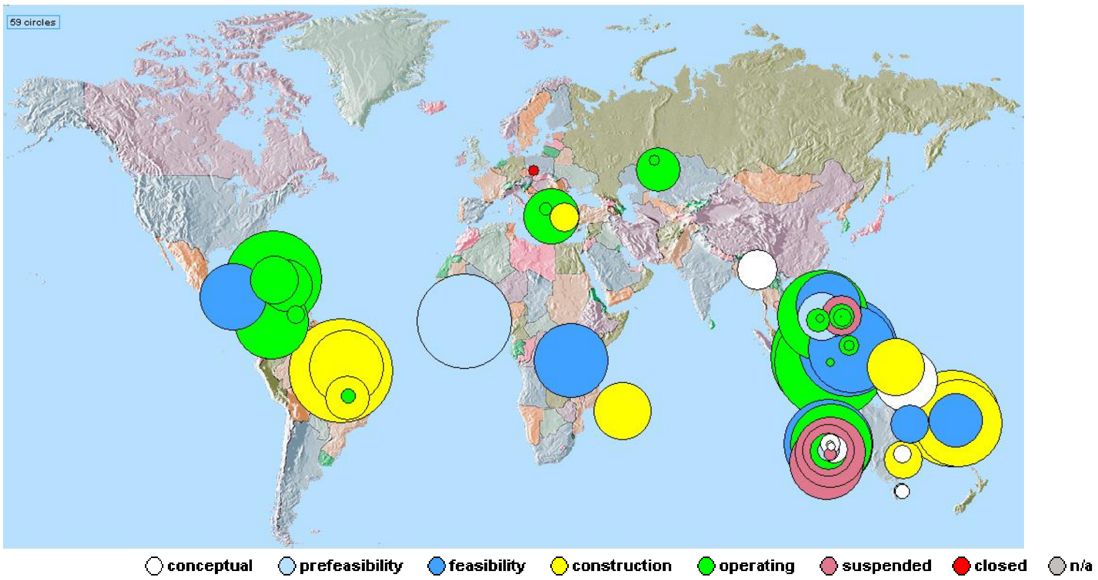

*Source: Raw Materials Group*

***Lateritic Nickel Resources by Region***



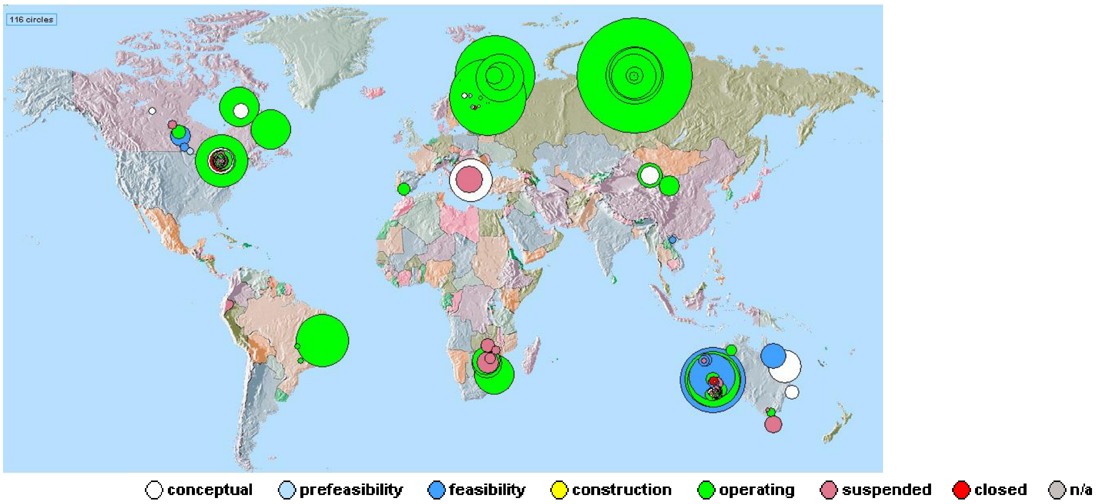

*Source: Raw Materials Group*

***Nickel Resources by Ore Type, Laterite***




Source: Raw Materials Group

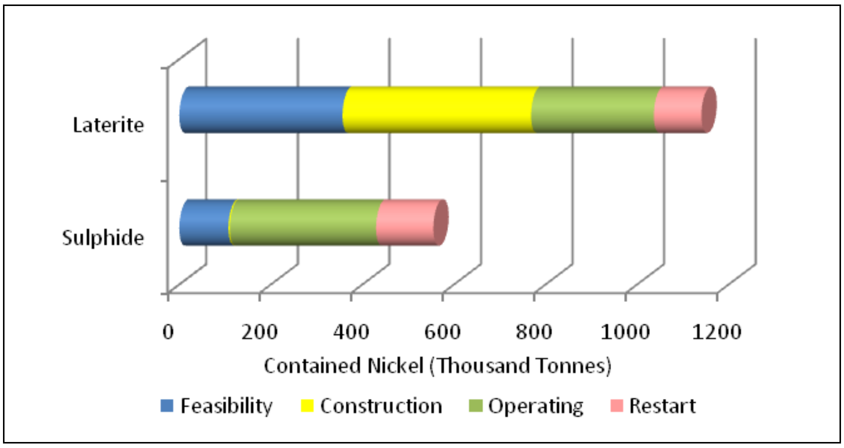
***Nickel Resources by Ore Type, Sulphide***




*Source: Raw Materials Group*

Major greenfield projects are expected to add around 17% new nickel supply on average annually over the next ten years. Most of the projects currently considered to have a chance of successful commercialization are based on laterite ores.

***New Refined Nickel Capacity***




*Source: Raw Materials Group*

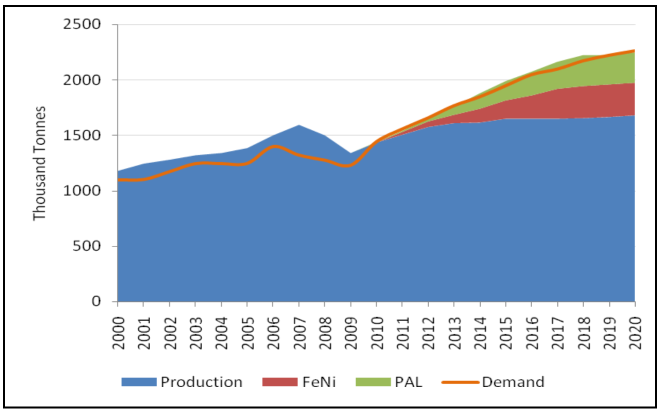
Approximately half of the output from new projects will be ferronickel and the other half will be based on HPAL technology. Based on the history of problems and delays in start-up associated with projects incorporating HPAL technology, further slippage and delay is possible with any project utilizing this technology. Of the first wave of projects using HPAL technology, two out of three were closed, and as noted by Commodities Research, Macquarie Securities Group, a large number of projects were planned for the past 10 years but have failed to appear.

These inherent disadvantages of HPAL projects are further exacerbated by escalating capex, relatively high operating costs and commissioning delays.

***Nickel Supply and Demand Balance***

Raw Materials Group forecasts that the demand for nickel will average growth of 6% per annum over the next five years before softening to the longer term growth rate of 4% per annum. In the near term the nickel market is forecast to be in slight deficit as production increases struggle to keep up with increasing demand. For the medium-term, the market is forecast to be in a slight surplus, as more greenfield projects come on-stream. This assumes that all greenfield projects come-on stream and at planned output levels. Given any continuation of problems and or further delays with high pressure acid leach technology, there is a possibility that the market would revert into a sustained deficit. Further the level of this forecast surplus is comparable to annual production of one or two of the larger mines operating today. Thus any industrial dispute, accident or maintenance at any of the larger producers could result in a balance market or a market in deficit.

***World Nickel Supply and Demand Balance***




Source: Raw Materials Group

***Concentrate Markets***

Nickel Mountain Resources intends to market the Rönnbäcken concentrate to nickel smelters globally. To place this in context, a brief overview of the nickel sulphide concentrate markets follows.
The dominant source of nickel throughout the last century has been sulphide concentrates, from sources such as Vale's (formerly Inco) operations in the well-known Sudbury Basin and at Thompson, Manitoba, from Xstrata`s (formerly Falconbridge) Sudbury operations, and from Norilsk's huge complex in Siberia and its other sites in the Kola peninsula of northwestern Russia. The Finnish operation, Outokumpu (now Norilsk-owned), brought additional mining, smelting and refining capacity on-stream, as did Western Mining Corporation (WMC), now BHP Billiton's Nickel West, at its Kalgoorlie smelter and Freemantle refinery. In China, Jinchuan has steadily increased capacity through phased expansions, as has Jilin. Notably, all of these operations were originally integrated; sourcing nickel from their own mine operations. However, all of these are now mature operations suffering from declining mine resources and grades, difficult or expensive mine expansion, and increasing costs; the latter is especially true of western operations such as those in Canada. In order to minimise unit costs and maximise both plant capacity utilisation and extra revenue generation, these operations have, for a number of years, sought outside sources of concentrates to smelt and refine. An additional part of the costs saving realized through treatment of third party concentrates comes from deferral of investment in new mine exploration/discovery and development, and the corresponding avoidance of associated risk, all of which can be very significant, especially in fluctuating metal markets.

The growth of world nickel demand in the last decade, indeed of demand in all commodities, has been driven to a large extent by China, and to a lesser extent by India. Forecasts of supply-demand balances in the early to mid-2000s predicted a massive shortfall in supply. This resulted in the start-up of many small sulphide mining operations around the world, especially in Australia. Most of these were too small to support smelting and refining facilities on their own. However, a natural synergy between these new, small sources of nickel, and the underutilisation of capacity at existing sulphide smelters/refiners was quickly recognised. The result has been the growth of trade in the sale of nickel concentrates from a relatively small portion of world nickel supply (less than 5%) to an estimated 15% of currently nickel supply. The net effect is that currently, there exists a very real, competitive marketplace for the sale of nickel concentrates produced from smaller operations.

The other type of ore from which nickel is produced is lateritic, or oxide (non-sulphide) ores. They are treated either by hydrometallurgical processes (Murrin-Murrin, Goro) or via reducing pyrometallurgical techniques (Koniambo), depending on the specific type of laterite ore sourced. To date these resources have proved difficult to exploit with numerous technical problems resulting in higher capital and operating costs than originally envisaged. Relatively high nickel prices will probably be required to support these projects in the long-term. Despite this, as sulphide resources continue to decline, it is likely that these types of ores will be a significant source of future nickel production. Sulphide operations, whether integrated or not, will benefit from this situation. They have the advantages of long established smelting/refining operations which have little requirement for new capital, and very low technical risk. In summary, they will continue to have available capacity for third party concentrates and hence will be able to take advantage of the higher metal prices. As such, small nickel sulphide concentrate producers, selling to existing smelters/refiners will have an excellent opportunity in the current and future marketplace for supplying concentrates to integrated operations facing declining supply from captive sources.

A key part of the synergy between independent concentrate producers and smelter/refiners is defined in the smelting-refining marketing contracts that exist between these parties. First, unlike the copper concentrate market, there is no standard form or structure of contract, and there is no transparent marketplace. The contract terms are negotiated individually and tend to be confidential. There are differences between the capabilities of each smelter and each refinery which may be reflected in the terms offered. These differences may show up in the percentage of payable metal (nickel, copper, cobalt, gold, silver or platinum group metals) the smelter/refiner is prepared to pay for. The grade of the concentrate will be important for more than just the obvious calculation of gross metal value. The level of minor elements such as aresnic, mercury, antimony, iron and chlorine can affect the smelter/ refiner's ability to safely handle the material. Levels of MgO in the range of 4% - 8% are likely to trigger extra costs at the smelter; these may be passed back to the concentrate supplier. Blending a concentrate, containing higher than normal levels of impurities, with other concentrates typically reduces any processing problems, allowing for treatment. Use of removal systems, as for mercury, can facilitate successful treatment. However, there may be thresholds for these or other elements, above which a smelter may not be prepared to accept. A marketing contract needs to recognise all of these issues and outline how they will be dealt with, especially during the start-up period when quality control of the final concentrate is likely to be less stable. Contracts can be relatively simple, or quite complicated. The format will affect the level of risk and return to each of the two parties as prices vary over time. Some contracts provide for price participation wherein the smelter/refiner receives a share of the higher returns at higher metal prices. Most contracts are for life of mine, but others have an expiration date. While the latter allows for a better reflection of changing markets over time, it creates an unpredictable risk for each party. Other items, such as transport of concentrate from the concentrator to the smelter may absorb a significant portion of the metal value of the concentrate, especially at low prices and/or with low payable metal grades. On the other hand, some contracts provide a transport credit to the supplier. As a general rule, risk (such as price risk) is passed on to the concentrate supplier, who needs to ensure his operation`s viability during periods of low metal prices. The flexible format of contracts allows for tailoring each contract to the needs of both parties and the particular analysis of the concentrate. Ultimately, the result is one of informed negotiation. While the lack of transparency in nickel concentrate markets may be disconcerting, a body of knowledge has developed over the years within the industry which ensures a fair and competitive result.

The market for custom concentrates is comprised of the following traditional, established smelter/refiners of Vale (Sudbury, Canada), Xstrata (Falconbridge, Canada), and Norilsk (Harjavalta, Finland), and the more recent participants of Jinchuan (China), Votorantim (Fortaleza, Brazil) and Jilin (China). Vale has announced the future shutdown of smelting at Thompson, Manitoba, thus removing one potential smelter from the list. It is likely that Vale will use their new hydrometallurgical facility at Argentia, Newfoundland, Canada, to process custom concentrates, thus replacing Thompson as a custom operation. However little is known about the requirements or limits in terms of quantity and quality of third party concentrate which Argentia will be prepared to handle. There is a reasonable understanding of the capabilities of the traditional smelter/refiners. Sulphide smelting employs two basic processes, flash smelting and roast/reduction. It is likely that with either process, blending of Rönnbäcken concentrate will be required in order to handle its low natural fuel level (low iron, sulphur), high MgO level, and possibly to reduce arsenic, antimony or mercury levels. Flash smelters may be less sensitive to arsenic than roast-reduction smelters (Xstrata). The volume and nature of the other concentrates being handled by a smelter at a given time will affect the extent to which blending of Rönnbäcken, or other adjustments to processing, will be necessary. Note that the accuracy and applicability of these comments, and those following, are heavily influenced by the current and forecast concentrate supply-demand situation (quantity and quality) at each smelter/refiner, a situation which is in a constant state of change.

With the pending shutdown of Vale’s Thompson operation, only Xstrata’s Falconbridge smelter will be using roast–reduction. This process provides excellent metal recoveries, particularly for cobalt, but has high power costs. It can recover all payable metals – nickel, copper, cobalt, gold, silver or platinum group metals, subject to the usual minimum deductions, but it is sensitive to high MgO, and arsenic. The smelter is located just outside Sudbury, Ontario, requiring rail (or road) transport from a port such as Quebec City or Montreal, Quebec. The facility has a well-established group experienced in receiving, sampling, handling, blending and smelting custom concentrates along with their own captive concentrates, which operates under a business philosophy of including the treatment of custom materials. With the expansion of concentrate production from the Raglan mine in Canada, plus potential concentrate from the Kabanga mine in Tanzania, Xstrata’s smelter is well-positioned in terms of feed for the future.

Vale`s Sudbury smelter is also experienced in all aspects of custom concentrate treatment. It uses its own proprietary flash smelting process requiring oxygen, generated on-site. Nickel, copper and gold, silver or platinum group metal recoveries are competitive, but cobalt recoveries are lower than most of the other facilities. As for the Xstrata smelter, labour costs are high. Despite this, and the 600 kilometres inland transport from Quebec City (the smelter is located just on the opposite side of Sudbury from the Falconbridge smelter), Vale has, in the past, succeeded in acquiring custom concentrates against competition from Xstrata and Norilsk (Harjavalta). Custom concentrates have allowed deferral of capital investment in Vale`s Sudbury mines - capital which is now being put back into those mines. With this investment, but with Voisey`s Bay concentrates being sent to Argentia by 2013 and Thompson concentrate being sent to Sudbury, the future net demand for custom concentrate at Vale’s Sudbury smelter needs to be determined.

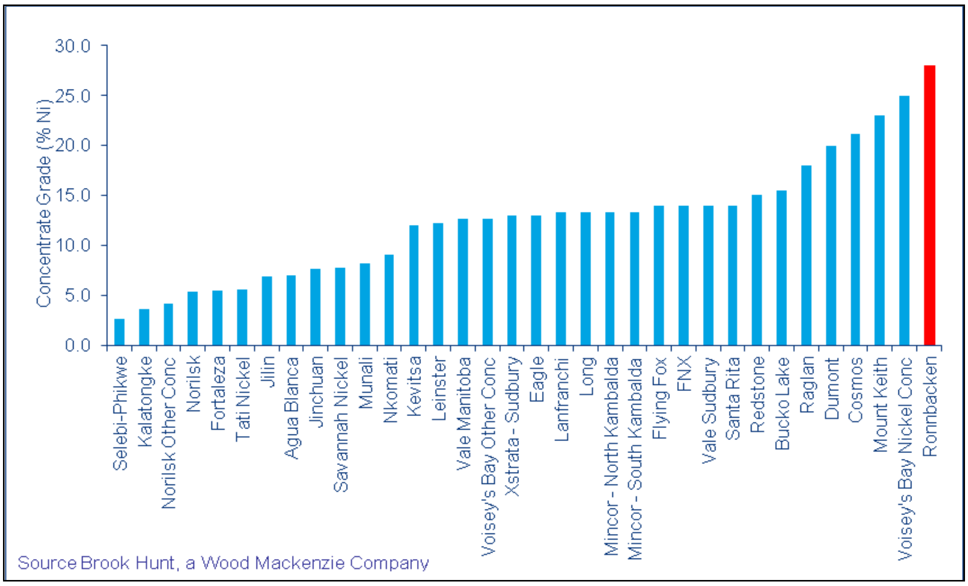
In Newfoundland, Vale is constructing a hydro-metallurgical facility with a capacity of 60,000 tonnes per annum nickel, to treat concentrate from Voisey’s Bay. The Rönnbäcken concentrate, with its high nickel grade compared to that of the Voisey’s Bay concentrate, and low platinum group metals content, could be an attractive alternative feed at Argentia, as hydrometallurgical processing does not have the capability to refine platinum group metals.  The facility would, however, need to be modified to accommodate concentrates with higher impurity levels, including MgO.The Norilsk smelter at Harjavalta has been treating third party custom concentrates longer than all others, and is well equipped to do so. Having no nearby captive ore sources, it is effectively a fully custom smelter. It uses the Outokumpu double flash furnace for both smelting and converting (the DON process). It employs a slag cleaning unit to improve metal recoveries, especially that of cobalt. Very competitive for nickel and cobalt, the smelter is less so for copper and gold, silver or platinum group metals. However, it is close to port facilities, and is the closest smelter to Rönnbäcken, advantageous in terms of transportation costs and work-in-process inventory considerations. The concentrate feed situation for Harjavalta has improved over the last year with the recent progress at Mirabela's Santa Rita mine (Norilsk receives 50% of their production for a period of 5 years) and the ramp–up of expanded production at Norilsk's Nkomati mine in South Africa.  In addition, the re-start of production at some of its Australian mines will provide Norilsk with further concentrate for its smelters.

The Fortaleza smelter in Brazil treats concentrate from Mirabela's new Santa Rita mine, in addition to its own and locally–sourced feeds. Fortaleza uses the Outokumpu DON process, with the mattes shipped to and refined at Harjavalta.  There is potential to provide additional concentrate to make up any shortfall. The smelter is limited in its capacity to accept higher MgO levels. Fortaleza`s total concentrate capacity is limited, and could treat only part of Rönnbäcken's output.
China offers a good potential for off-take as a number of nickel concentrates from Australia and Spain are currently smelted there.  The major nickel producer, Jinchuan, operates several smelters in China. At its largest smelting facility in Gansu, Jinchuan has capability of processing 350,000 tonnes per annum concentrate using a modified WMC smelter design, which itself was based on the early Outokumpu flash process. Metal recovery capability is competitive. Jinchuan has offered terms which have been very favourable to the supplier at times and has successfully sourced feed globally from third parties in Australia, Spain and Zambia. It has publicly stated that it will expand its smelting/refining capacity to meet China's needs, but cannot source adequate nickel supplies in China, thus suggesting it might wish to absorb all of the output of an external supplier such as Rönnbäcken.  Jinchuan's facilities have the capability to take MgO-bearing feeds.

Jilin has recently doubled the capacity of its Ausmelt smelter with capacity of 200,000 tonnes per annum of concentrates to produce 15,000 tonnes per annum of nickel in nickel-copper matte.  Some capacity for third party feeds may thus exist.

The grade of Rönnbäcken concentrate needs discussion in light of the smelting/refining processors in the marketplace. The likely need for blending has already been mentioned. Most striking is the high nickel content at 28%. This ranks the concentrate grade as one of the highest available in the nickel business, captive or custom as shown below.

***Comparison of Nickel Grade in Nickel Concentrates***



Secondly, with relatively low iron content at 9-10%, the nickel/iron ratio is very high. In the smelting process the iron creates slag which causes nickel losses. However, with a low iron content, the slag quantities and hence nickel (and cobalt) losses should also be very low. This indicates that Rönnbäcken concentrate could realise the highest possible nickel accountabilities. Cobalt accountabilities should also be very good. The high grade, of course, also helps reduce the costs of transportation, handling and smelting on a unit cost basis (USD per pound nickel). The precious metal content, although low, may be sufficient to attract some accountability and revenue, particularly at higher prices. Considering the structure of typical custom concentrate contracts, the high grades indicate that this concentrate should be able to carry costs and charges over the whole range of foreseeable prices, and be able to survive the price lows while generating excellent returns to both parties at higher prices. The extent to which the grade advantage is offset by the need to blend or handle penalty elements must be determined through discussion and negotiation with each potential smelter/refinery.

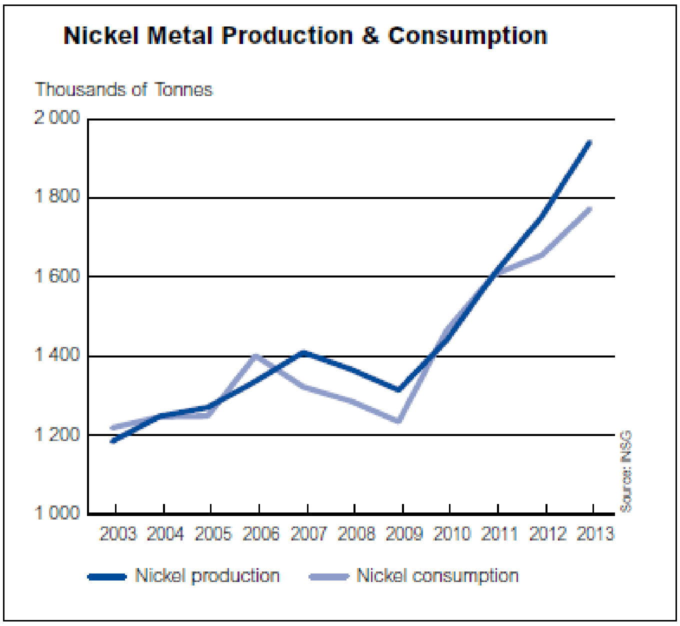
The planned production rate should provide Rönnbäcken with some flexibility in negotiations and help in attracting competitive terms. Each of the four larger smelter/refineries has the capacity to handle all the production. However, as a hedge against strikes or other disruptions to production, Rönnbäcken could, for example, split the tonnage between two or more smelters. The split volume would still be sufficient to be attractive to a smelter/refinery.

In summary, a significant market has developed over the last 20 years for custom concentrate, however, long-term nickel sulphide smelter capacity availability is expected to be less than originally anticipated as a result of a combination of the anticipated shutdown of the Vale Thompson smelter (Manitoba), and increased internal concentrate production by Xstrata Nickel and Norilsk Nickel. In addition, there are competing projects which could add to the supply of custom concentrates in the marketplace in the medium-term. Nevertheless, with its very high grade, long life and significant tonnage, Rönnbäcken concentrate is expected to be competitive in the custom concentrate marketplace. High grades allow a concentrate supplier to better carry extra costs of processing, if any, such as for penalty elements, while surviving periods of low prices. Returns to the supplier of the concentrate are subject to confirmation through final and binding negotiation with the smelter/refineries.

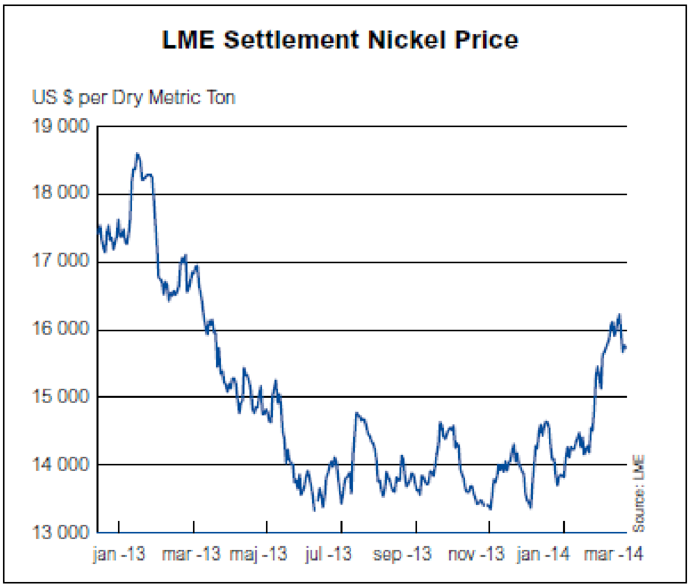
***Market outlook – Nickel***

Following two years of surplus, global nickel markets are poised to go through a period of rebalancing in 2014, as government policy rather than genuine supply demand fundamentals will work to curtail the supply of the metal. Demand has been robust with 2013 seeing 7.5 percent growth in global nickel ore consumption in all forms. The global stainless steel industry which accounts for about two-thirds of nickel consumption increased output by 7.8 percent in 2013, to reach 38.1 million tonnes according to the International Stainless Steel Forum. It is expected to grow 8 percent in 2014, as crude stainless-steel production increases to a record 39 million tonnes according to industry consultant MEPS (International) Ltd. Output in China, the world's biggest consumer of nickel, will climb to 19.3 million tons in 2014, representing almost 50 percent of global production.

At the same time, nickel supply has more than kept pace in recent years. From 2009 to 2013, global refined nickel supply is estimated to have grown at a rate of 9.6 percent per year, reflecting a surge in nickel pig iron (NPI) output in China. According to the International Nickel Study Group, global refined nickel supply still surged by almost 11 percent in 2013 to 1,944,700 tonnes, maintaining the market in a surplus of about 170–180,000 tonnes. An export ban on shipments of unprocessed nickel ore implemented by Indonesia in January 2014 and the risk of sanctions against Russia as a result of the latter's annexation of Crimea have raised concerns that supplies will be constrained. Indonesia is a major exporter of nickel ore, accounting for 18–20 percent of global supply. Consultants Woods MacKenzie anticipates the ban will see NPI production fall to 450,000 tonnes in 2014. Meanwhile, Russia's annexation of Crimea has prompted the imposition of increasing sanctions by the US and the EU on Russia and its officials. The standoff could potentially affect Moscow-based Norilsk Nickel which being the world's biggest producer of refined nickel, accounting for around 17 percent of global output, is a major exporter of the refined metal to international markets. As a result of these two events, nickel prices increased 12.5 percent in the first quarter of 2014 from the end of 2013 to end at $15,560 per tonne.




Any further price gains for the remainder of 2014 and into 2015 are expected to be more subdued as the market remains in surplus. Despite these threats to supply, significant new production from large-scale projects started in the last decade (in many cases, years late) will add an additional 250,000 tonnes of supply. All of these new projects will continue to ramp up over the coming months since operators need to recoup what were often huge investment outlays. Hence, the nickel market is anticipated to remain in oversupply for the medium term. Longer-term, a supply deficit is anticipated to emerge around 2016/2017.



## 9 FINANCIAL INFORMATION

*The selected financial information set forth in this Prospectus should be read in conjunction with the financial statements and the notes to those statements from the latest presented annual reports, 2013, 2012 and 2011, available at www.nickelmountain.se.*

### 9.1 Historical Consolidated Financial Information

Nickel Mountain Group' annual reports for 2013, 2012 and 2011 (including explanatory notes) can be viewed *www.nickelmountain.se*. The annual reports of 2013, 2012 and 2011 have been incorporated by reference in this Prospectus.

With the exception of the Company's audited consolidated financial statements for 2013, 2012 and 2011, incorporated by reference no other information in the Prospectus has been reviewed or audited by the Company's auditor.

The historical annual reports have been audited by Mazars, KPMG and Ernst & Young. Nickel Mountain Group' statutory auditor at present is Mazars. The responsible auditor, Johan Kaijser, is a member of the Swedish Institute of Public Accountants (Sw. Föreningen Auktoriserade Revisorer).

***A summary of the key financial accounts can be found below:***

| Key ratios and share data for the consolidated group | | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| Number of outstanding shares at beginning of reporting period | Number | 18,174,923 | 51,928,350 | 1,805,618,810 |
| New share issue | Number | - | 129,820,875 | 2,348,649,150 |
| Number of outstanding shares at the end of reporting period *,** | Number | 18,174,923 | 181,749,225 | 51,928,350 |
| Average number of shares *** | Number | 18,174,923 | 140,846,758 | 2,930,566,085 |
| Operating result | TSEK | -21,991 | -24,645 | -62,531 |
| Result after tax | TSEK | -110,088 | -121,490 | -185,944 |
| Operating result per share | SEK | -1.21 | -0.17 | -0.02 |
| Result after financial items per share | SEK | -8.47 | -1.07 | -0.19 |
| Result per share after tax | SEK | -6.06 | -0.86 | -0.06 |
| Shareholders' equity per share before dilution *,** | SEK | 6.87 | 1.34 | 7.61 |
| Dividend | TSEK | - | - | - |
| Price per share at the end of reporting period | SEK | 3.00 | 0.45 | 1.66* |

* A reversed split of 1:80 was executed on the 8th of December 2011
** A reversed share split of 1:10 was conducted on December 13, 2013
*** The average number of shares during 2013 has been adjusted for the reversed split as from the beginning of the year

***Consolidated income statement***

The following table shows Nickel Mountain Group' audited consolidated income statement for the financial years 2013, 2012 and 2011.

| (SEK '000) | Full Year 2013 IFRS Audited | Full Year 2012 IFRS Audited | Full Year 2011 IFRS Audited |
|---|---|---|---|
| Revenue from sales | - | - | 5,848 |
| Other revenues | 8 | - | - |
| Other external expenses | -14,907 | -13,624 | -42,547 |
| Personnel expenses | -7,016 | -10,022 | -25,559 |
| Results form equity accounted particpations | -76 | -999 | -273 |
| **Operating result before depreciation and impairment losses** | **-21,991** | **-24,645** | **-62,531** |
| Depreciation and impairment loss on tangible and intangible assets | -131,134 | -126,229 | -168,850 |
| Financial revenue | 38 | 605 | 900 |
| Financial expenses | -788 | -252 | -5,094 |
| Total financial items | -750 | 353 | -4,194 |
| **Result before tax** | **-153,875** | **-150,521** | **-235,575** |
| Income tax | 43,686 | 29,031 | 49,631 |
| **Result for the period** | **-110,189** | **-121,490** | **-185,944** |
| *Result for the period attributable to:* | | | |
| Equity holders of the Parent Company | -110,088 | -121,450 | -181,708 |
| Non controlling interest | -101 | -40 | -4,236 |
| **Result for the period** | **-110,189** | **-121,490** | **-185,944** |
| Earnings per share before and after dilution | -6.06 | -8.63 | -0.06 |
| Average number of shares | 18.2 | 14.1 | 2,931 |

***Management discussion and analysis of the consolidated income statement:***

***The Financial Year 2013:*** Nickel Mountain reported limited revenues of SEK 8 thousand for the year ended 31 December 2013. The main part of the costs during the year 2013 is referable to administration, listing and legal costs related to the dispute with the former board. Retrenchments during the year had a positive effect on cost related to personnel. As a consequence of the former board’s mismanagement of the African portfolio of diamond projects, the licenses entered in to a default situation during the year resulting in that the company was forced to impair the entire value related to the African assets in the balance sheet amounting to SEK 110.9 million. In addition a bad debt related to a reversed purchase of Ghana Gold of SEK 50 million has been impaired, as a precautionary measure, with SEK 20 million

The positive tax amount reported is firstly a reversal of a provision related to deferred tax liabilities. The reversal occurs as a result of impairment of the assets that the provision is related to. In addition, NMG’s acquisition of the Swedish partnership mentioned in this report leads to a positive tax effect of MSEK 9.7 after transaction costs in the last quarter of 2013.

***The Financial Year 2012:*** The main part of the costs during the year 2012 is referable to administration, listing, rent, investor relation and communication consultancy and legal costs. Impairments during the 2012 are referable to diamond projects in South Africa as a result of a board decision to not continue to invest in those projects.

The positive tax amount reported is related to a reversal of a provision related to deferred tax liabilities. The reversal occurs as a result of impairment of the assets that the provision is related to, during 2012 the reversed provision was related to the South African part of the diamond portfolio.

***The Financial Year 2011:*** Revenue from sales during 2011 is attributable to sales of diamond from the Angolan Cassanguidi mine held by the Group. The mine was put on hold and later shut down by the company during 2011. As the Group was operating the Cassanguid mine in 2011 in combination with a lot more exploration activities related to the African diamond portfolio, the costs were a lot higher in 2011 than compared to 2013 and 2012. The main part of the costs during the year 2011 is referable to administration, listing, rent, investor relation and communication consultancy and legal costs. Personnel expenses included the staff at the Cassanguidi mine and a management team at the South African diamond head office that was acquired by NMG through the purchase of Efidium Ltd in 2010. Impairments during the 2011 are referable to diamond projects in Angola as a result of a board decision to not continue to invest in those projects.

The positive tax amount reported is related to a reversal of a provision related to deferred tax liabilities. The reversal occurs as a result of impairment of the assets that the provision was related to. In 2012 the reversed provision was related to the Cassanguidi diamond mine in Angola.

*Consolidated statement of financial position*

| (SEK '000) | Full Year 2013 IFRS Audited | Full Year 2012 IFRS Audited | Full Year 2011 IFRS Audited |
|---|---|---|---|
| **Assets** | | | |
| *Intangible fixed assets* | | | |
| Mineral interests | 110,113 | 218,489 | 326,991 |
| *Tangible fixed assets* | | | |
| Plant and machinery | 246 | 605 | 1,335 |
| *Long-term financial assets* | | | |
| Participation ni equity accounted companies | 283 | 434 | 1,433 |
| Long-term receivables | 31 | 31 | 31 |
| **Total fixed assets** | **110,673** | **219,559** | **329,790** |
| | | | |
| **Current Assets** | | | |
| Receivables on Alluvia Mining Ltd | 30,000 | - | - |
| Other receivables | 2,702 | 3,461 | 4,433 |
| Prepaid expenses | 208 | 591 | 452 |
| Cash and cash equivalents | 15,288 | 69,193 | 10,977 |
| **Total current assets** | **48,198** | **73,245** | **15,862** |
| | | | |
| **TOTAL ASSETS** | **158,871** | **292,804** | **345,652** |
| | | | |
| **EQUITY** | | | |
| *Equity attributable to equityholders of the parent company* | | | |
| Share capital | 45,437 | 45,437 | 12,982 |
| Other paid in capital | 1,174,207 | 1,175,737 | 1,107,044 |
| Reserves | 1,081 | 7,937 | 9,574 |
| Retained earnings and profit for the period | -1,096,021 | -985,860 | -848,462 |
| | 124,704 | 243,251 | 281,138 |
| Non controlling interest | 80 | 181 | -15,727 |
| **Total equity** | **124,784** | **243,432** | **265,411** |
| | | | |
| **Liabilities** | | | |
| Deferred tax liabilities | - | 34,087 | 63,119 |
| Other provisions | - | 1,018 | 2,996 |
| *Long term liabilities* | | | |
| Convertible loan | 5,000 | 5,000 | 5,000 |
| Interest bearing long term liabilities | - | - | - |
| Other long term liabilities | 4,931 | 1,155 | 1,276 |
| **Total long term liabilities** | **9,931** | **41,260** | **72,391** |
| | | | |
| **Current liabilities** | | | |
| Accounts payable | 2,925 | 6,261 | 3,984 |
| Other liabilities | 17,385 | 189 | 352 |
| Accrued expenses and prepaid income | 3,846 | 1,662 | 3,514 |
| **Total current liabilities** | **24,156** | **8,112** | **7,850** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | **158,871** | **292,804** | **345,652** |

***Management discussion and analysis of the consolidated statement of financial position:***

***The Financial Year 2013:*** At December 31st 2013, cash and cash equivalents amounted to SEK 15.3 million, compared to SEK 69.2 million at the end of 2012. The change was mainly due to the former board's decision to pay the proposed purchase of the Ghana Gold AB company during the year in advance. SEK 50 million was paid to the seller Alluvia Mining Ltd in end of January 2013. The purchase was conditioned by an approval of a upcoming Extra General Meeting which voted against the proposed acquisition. The money that was paid has not been possible to recuperate form the seller despite that NMG received nothing in return.

Impairments of the African diamond portfolio have been implemented during the year resulting in a decrease in mineral interests from SEK 218.5 million, end of 2012 to SEK 110.1 million end of 2013.

Provisions related to a deferred tax have been reversed during the year as a result of that the projects that the provisions are related to have been, fully impaired.

Short term debts have increased during the year mainly as a result of raised credits from creditors in order to finance the continued existence for the company.

***The Financial Year 2012:*** At December 31st 2012, cash and cash equivalents amounted to SEK 69.2 million, compared to SEK 11.0 million at the end of 2011. The change was mainly due to the rights issue that was carried out during 2012, raising SEK 101.7 million (net of transaction costs) to the company.

Impairments of the African diamond portfolio have been implemented during the year resulting in a decrease in mineral interests from SEK 327.0 million, end of 2011 to SEK 218.5 million, end of 2012.

Provisions related to a deferred tax have been reversed during the year as a result of the projects that the provisions are related to partly impaired. The tax provision reversal during 2012 amounted to SEK 29.0 million.

***The Financial Year 2011:*** At December 31st 2011, cash and cash equivalents amounted to SEK 11.0 million, compared to SEK 40.2 million at the end of 2010. The decrease in cash during 2011 was mainly a result of investments in the Nickel project Rönnbäcken during the year along with the funding of the day-to-day operations within the Group.

Impairments of the Angolan diamond mine in Cassanguidi was implemented during the year resulting in a decrease in mineral interests from SEK 396.2 million, beginning of 2011 to SEK 327.0 million end of 2011.

Provisions related to a deferred tax have been reversed during the year as a result of the projects that the provisions are related to partly impaired. The tax provision reversal during 2011 amounted to SEK 49.6 million.

*Consolidated cash flow statement*

| (SEK '000) | Full Year 2013 IFRS Audited | Full Year 2012 IFRS Audited | Full Year 2011 IFRS Audited |
|---|---|---|---|
| **Cash Flow from Operations** | | | |
| Result after financial items | -153,875 | -150,521 | -235,575 |
| Adjustments for items not included in cash flow | 134,054 | 122,278 | 191,106 |
| Change in inventories | - | - | 1,375 |
| Change in receivables | -49,245 | 865 | 11,448 |
| Change in liabilities | 3,117 | 261 | -17,914 |
| **Net cash flow from operations** | **-65,949** | **-27,117** | **-49,560** |
| **Cash Flow from investment activities** | | | |
| Purchase of tangible assets | - | 63 | - |
| Purchase of intagible assets | -3,129 | -18,460 | -21,580 |
| Sale of intangible assets | - | 2,072 | 500 |
| Sale of associated company | - | - | 500 |
| **Net cash flow from investment activities** | **-3,129** | **-16,325** | **-20,580** |
| **Cash Flow from financing activities** | | | |
| New share issue | -1,530 | 101,658 | 45,625 |
| Raised credits | 16,927 | - | 1,276 |
| Amortization of debt | -224 | - | -5,956 |
| **Net Cash Flow from financing activities** | **15,173** | **101,658** | **40,945** |
| **Net change in cash and cash equivalents** | **-53,905** | **58,216** | **-29,195** |
| Cash and cash equivalents at beginning of period | 69,193 | 10,977 | 40,157 |
| Currency exchange difference | - | - | 15 |
| **Cash and cash equivalents as at end of period** | **15,288** | **69,193** | **10,977** |

***Management discussion and analysis of the consolidated cash flow statement:***

***The Financial Year 2013:*** Net cash flow from operating activities for 2013 was SEK -65.9 million compared to SEK -27.1 million in 2012. The year was impacted by a negative cash flow from the purchase of Ghana Gold AB that was paid in advance at a price of SEK 50 million. Investments of SEK 3.1 million during the year is referable to the Rönnbäcken Nickel project, compared to SEK 18.5 million the previous year. The lower level of investments is mainly a result of the disorder within the company as a result of the former Board’s mismanagement of the company.

***The Financial Year 2012:*** Net cash flow from operating activities for 2012 was SEK -27.1 million compared to SEK -49.6 million in 2011. Investments of SEK 18.5 million during the year is mainly referable to the Rönnbäcken Nickel project, compared to SEK 21.6 million during the previous year. About SEK 6.9 million was invested within the business segment Diamond.
The Financial Year 2011

***The Financial Year 2011:*** Net cash flow from operating activities for 2011 was SEK -49.6 million compared to SEK -84.2 million in 2010. Investments of SEK 21.6 million during the year was mainly referable to the Rönnbäcken Nickel project, compared to SEK 56.1 million during the previous year. The lower level of investments was a result of the Group’s diminishing focus on the diamond portfolio during 2011.

### *Reconciliation of equity*

The table below shows the reconciliation of equity as of the 31 December 2013, 2012 and 2011. The table illustrates, amongst other changes in equity, the effect of share-based payments:

| **Changes in shareholders' equity** | **Equity related to shareholders of the parent company** | | | | | | |
|---|---|---|---|---|---|---|---|
| **(SEK '000)** | **Share Capital** | **Other capital contribution** | **Exchange differences** | **Retained earnings and profit for the year** | **Total** | **Non controlling interest** | **Total equity** |
| **Balance at 1 January 2011** | **90,281** | **984,120** | **-741** | **-666,480** | **407,180** | **-11,765** | **395,415** |
| Net result for the period | | | | -181,708 | -181,708 | -4,236 | **-185,944** |
| Bonus issue | 46,736 | -46,736 | | | 0 | | **0** |
| Reduction of share capital without redemption of shares | -241,467 | 241,467 | | | 0 | | **0** |
| *Other comprehensive income:* | | | | | | | |
| Exchange differences | | | 10,315 | | 10,315 | | **10,315** |
| **Transactions with shareholders:** | | | | | | | |
| Correction of non controlling interest | | | | -274 | -274 | 274 | **0** |
| Costs referable to fundraising | | -9,498 | | | -9,498 | | **-9,498** |
| New share issue | 55,123 | | | | 55,123 | | **55,123** |
| Reallocation of equity | 62,309 | -62,309 | | | 0 | | **0** |
| **Closing balance at 31 December 2011** | **12,982** | **1,107,044** | **9,574** | **-848,462** | **281,138** | **-15,727** | **265,411** |
| **Balance at 1 January 2012** | **12,982** | **1,107,044** | **9,574** | **-848,462** | **281,138** | **-15,727** | **265,411** |
| Net result for the period | | | | -121,450 | -121,450 | -40 | **-121,490** |
| Reversal of paid premium related to warrants | | -510 | | | -510 | | **-510** |
| *Other comprehensive income:* | | | | | | | |
| Exchange differences | | | -1,637 | | -1,637 | | **-1,637** |
| **Transactions with shareholders:** | | | | | | | |
| Majority's assumption of minority's commitment | | | | -15,948 | -15,948 | 15,948 | **0** |
| Costs referable to fundraising | | -12,800 | | | -12,800 | | **-12,800** |
| New share issue | 32,455 | 82,003 | | | 114,458 | | **114,458** |
| **Closing balance at 31 December 2012** | **45,437** | **1,175,737** | **7,937** | **-985,860** | **243,251** | **181** | **243,432** |
| **Balance at 1 January 2013** | **45,437** | **1,175,737** | **7,937** | **-985,860** | **243,251** | **181** | **243,432** |
| Net result for the period | | | | -110,088 | -110,088 | -101 | **-110,189** |
| *Other comprehensive income:* | | | | | | | |
| Exchange differences | | | -6,856 | | -6,856 | | **-6,856** |
| **Transactions with shareholders:** | | | | | | | |
| Costs referable to fundraising | | -1,530 | | | -1,530 | | **-1,530** |
| Other transactions | | | | -73 | -73 | | **-73** |
| **Closing balance at 31 December 2013** | **45,437** | **1,174,207** | **1,081** | **-1,096,021** | **124,704** | **80** | **124,784** |

## 9.2 Investments

The table below sets forth the Company's principle investments (cash considerations) for the period from 2011 to 2013. The selected financial information set forth in this Prospectus should be read in conjunction with the financial statements and the notes to those statements from the latest audited annual report of 2013 and 2012 and 2011 which are made available at www.nickelmountain.se.

***The investments are related to the Company's projects according to the following:***

| **MSEK** | **2013** | **2012** | **2011** |
|---|---|---|---|
| Rönnbäcken (Sverige) | 3,1 | 16,3 | 4,8 |
| Cassanguidi (Angola) | - | - | 6.8 |
| **Total** | **3.1** | **16.3** | **21,6** |

During the previous three years, major investments by the Company were as follows:

- The main part of the investment made during the latest 3 years has been related to the development of the Rönnbäcken Nickel Project under the initiated program related to the prefeasibility study.

- The Company decided to withdraw from the Angolan diamond project in Cassanguidi in 2011. After a period of low production with poor results. The company invested about SEK 6.8 million during the year 2011 before the decision was made to stop activities and withdraw from operations.

In general, investment within the Company mainly consisted of capitalized exploration and development expenditures. There are no firm commitments attached to any of the projects held by NMG at present. As long as each project or license is considered to be of economic interest for future development, exploration costs associated with the project are capitalized as an intangible asset (Mineral interest). When a project has reached the production and sales of minerals it is reclassified from mineral interest (intangible fixed assets) to mine and other development assets (tangible fixed assets). Drilling is a considerable part of the capitalized expenditures.

Except from the investments listed above and the planned Use of Net Proceeds subsequent of the set off issue, the Company has made no commitment or decision of any investments. Possible non-committed investments related to the Group's development projects will be considered, decided and financed on a case by case basis.

## 9.3 Interim Financial Information

The quarterly and half year financial reports for Nickel Mountain Group' can be viewed on www.nickelmountain.se. The interim financial information has not been audited.

## 9.4 Segment Information

The table below provides a breakdown of the financial accounting by category of activity for 2013, 2012 and 2011.

| | | | 2011 | | |
|---|---|---|---|---|---|
| **(TSEK)** | **Gold** | **Diamonds** | **Nickel** | **Other** | **Total** |
| Revenue from sales | - | 5,848 | - | - | **5,848** |
| Operating result before depreciation and impairment | -304 | -26,547 | -13,258 | -22,422 | **-62,531** |
| Impairment of mineral interests | | -165,267 | - | - | **-165,267** |
| Depreciation according to plan | | -3,382 | -163 | -38 | **-3,583** |
| Result before tax | -301 | -198,600 | -13,637 | -23,037 | **-235,575** |
| Fixed assets | - | 239,909 | 89,881 | - | **329,790** |
| Current assets | 1,498 | 4,245 | 453 | 9,666 | **15,862** |
| Long term liabilities | - | 1,276 | 5,000 | - | **6,276** |
| Short term liabilities | - | 1,430 | 4,375 | 2,045 | **7,850** |
| Investments (gross amounts) | - | 6,828 | 14,752 | - | **21,580** |

| | | | 2012 | | |
|---|---|---|---|---|---|
| **(TSEK)** | **Gold** | **Diamonds** | **Nickel** | **Other** | **Total** |
| Revenue from sales | - | - | - | - | **0** |
| Operating result before depreciation and impairment | - | -2,469 | -9,947 | -12,229 | **-24,645** |
| Impairment of mineral interests | -1,351 | -124,211 | - | - | **-125,562** |
| Depreciation according to plan | - | -537 | -119 | -11 | **-667** |
| Result before tax | -1,351 | -127,215 | -10,175 | -11,780 | **-150,521** |
| Fixed assets | - | 114,630 | 104,318 | 611 | **219,559** |
| Current assets | 56 | 2,697 | 1,442 | 69,050 | **73,245** |
| Long term liabilities | - | 1,155 | 5,000 | - | **6,155** |
| Short term liabilities | - | 69 | 6,382 | 1,661 | **8,112** |
| Investments (gross amounts) | - | - | 16,325 | - | **16,325** |

| | | | 2013 | | |
|---|---|---|---|---|---|
| **(TSEK)** | **Gold** | **Diamonds** | **Nickel** | **Other** | **Total** |
| Revenue from sales | - | - | - | - | **0** |
| Operating result before depreciation and impairment | - | -568 | -4,944 | -16,479 | **-21,991** |
| Impairment of mineral interests | -20,000 | -110,906 | - | - | **-130,906** |
| Depreciation according to plan | - | -184 | -43 | - | **-227** |
| Result before tax | -20,000 | -111,658 | -4,987 | -17,230 | **-153,875** |
| Fixed assets | - | 3,599 | 106,513 | 561 | **110,673** |
| Current assets | 30,000 | 1,287 | 565 | 16,346 | **48,198** |
| Long term liabilities | - | 931 | - | 9,000 | **9,931** |
| Short term liabilities | - | - | 2,902 | 21,254 | **24,156** |
| Investments (gross amounts) | - | - | 3,129 | - | **3,129** |

***Breakdown of mineral interest item in balance sheet of NMG 2013-12-31***

| **(SEK million)** | |
|---|---|
| Rönnbäcken Nickel | 110.1 |
| **Total** | **110.1** |

## 9.5 Information on Holdings

Except for the ownership in the companies set out in section 6.3, the Company does not have any ownership interests or investments which are likely to have a significant effect on the assessment of the Company's own assets and liabilities, financial position or profit and losses.

## 9.6 Significant Changes after 31 December 2013

The material changes listed below have occurred since the expiration of the fourth quarter report for 2013.

The Group has not experienced any significant changes or trends outside of the ordinary course of business that are significant to the Group after the 31 December 2013 and up to the date of this Prospectus, other than those described in this Prospectus or already notified to the market by published notifications:

- 2014-01-28: Nickel Mountain Group AB conducts set-off issue amounting to some 11.8 million SEK
- 2014-02-12: The Swedish Government states that Vapsten's complaint to CERD should be declared inadmissible

## 9.7 Profit Forecasts or Estimates

The Prospectus does not include any profit forecasts. It contains audited consolidated financial statements up to the 31 December 2013.

## 9.8 Capital Resources

### *Capitalization and indebtedness*

At the 1st of March 2014, the Group had the following capitalization and indebtedness:

| (SEK '000) | Unaudited 01/03/2014 | Audited 31/12/2012 |
|---|---|---|
| **Total Current Debt** | **15,324** | **8,112** |
| - Guaranteed | - | - |
| - Secured | - | - |
| - Unguaranteed/Unsecured | 15,324 | 8,112 |
| | | |
| **Total Non-Current Debt** | **9,931** | **6,155** |
| - Guaranteed | - | - |
| - Secured | - | - |
| - Unguaranteed/Unsecured | 9,931 | 6,155 |
| | | |
| **Shareholder's Equity** | **130,818** | **243,432** |
| a) Share Capital | 10,613 | 45,437 |
| b) Own shares | - | - |
| c) Other Reserves | 120,125 | 197,814 |
| d) Minority interests | 80 | 181 |
| | | |
| A. Cash | 8,437 | 69,193 |
| B. Cash equivalent | - | - |
| C. Trading securities | - | - |
| **D. Liquidity (A)+(B)+(C)** | **8,437** | **69,193** |
| | | |
| **E. Current Financial Receivables** | **2,702** | **3,461** |
| | | |
| F. Current Bank Debt | - | - |
| G. current portion of non-current debt | - | - |
| H. Other current financial debt | 2,341 | - |
| **I. Current Financial Debt (F)+(G)+(H)** | **5,242** | **0** |
| | | |
| **J. Net Current Financial Indebtedness (I)-(E)-(D)** | -5,897 | -72,654 |
| | | |
| K. Non-current bank loans | - | - |
| L. Bonds issued | - | - |
| M. Other non-current loans | 7,342 | 6,155 |
| | | |
| **N. Non-current Financial Indebtedness (K)+(L)+(M)** | 7,342 | 6,155 |
| | | |
| **O. Net Financial Indebtedness (J)+(N)** | 1,445 | -66,499 |

The table above should be read together with the Company's consolidated financial statements and the notes related thereto.

The total current debt amounting to SEK 12.9 million is constituted mainly by a loan raised during autumn 2013 for the funding of the Group's continued existence after the former management and board drained the cash balance as a result of the purchase of Ghana Gold AB. The main part of the outstanding short term liabilities according to above is set off against new shares under the set off issue described in this prospectus.

Long term debt within the Group is attributable to a loan granted by Norrlandsfonden of SEK 5 million that matures in on the 31 August 2018 along with a loan from the former board member Ulrik Jansson, which was one of four board members that were reported to the economic crime authority during spring 2013. The loan was a consequence of the 50 MSEK payment to Alluvia Mining in January 2013 resulting in that the Group was drained of cash at the end of May and needed external funding. NMG incorrectly announced on May 27th t NMG had received partial funds from a drawdown facility granted by a close related party to the the former main shareholder Amarant in accordance with a credit facility agreement that was established between NMG and Amarant in January 2013. In fact, it was the former Board member Ulrik Jansson who lent SEK 4 million to NMG at the end of May 2013. The loan has an interest rate of 12 per cent per annum with duration of three years.

Since the end of 2013 up to the date of this Prospectus, the Group has spent approximately SEK 6 million mainly on the development of the Rönnbäcken Nickel Project, the financing of the current monthly costs related to the Group overhead and on costs related to financing. Except for the transactions described above related to the Rönnbäcken Nickel Project, affecting mainly the cash balance of the Group, there have been no material changes to the capitalisation and indebtedness of the Company since the 31st of December 2013.

The pending set off issue will, after the completion, reduce the liabilities of the Group with SEK 11.6 million. The Equity of the Group will consequently increase with the same amount.

As per the expiration of 2013, Nickel Mountain Group had no long term obligations or commitments, including indirect and conditional debt, to fulfil in terms of payments etc. other than a convertible loan granted by Norrlandsfonden amounting to SEK 5 million, the loan to the former board member Ulrik Jansson and salaries, rent of premises etc.

The funding of the Group's operations is done through Nickel Mountain Group. All cash is held on accounts owned and controlled by Nickel Mountain Group in Stockholm. Nickel Mountain Group' subsidiaries make cash requirements on a monthly basis according to a budget approved by the Board of Nickel Mountain Group prior to each year of operations. The cash is mainly held in SEK or USD based on management's projections of future exchange rate between SEK and USD. A large part of the expenditures within the Group is paid in SEK. No financial instruments for hedging are used.

***Capital resources***

NMG has historically been funded by external capital contributions by way of the issuance of new equity. NMG raised SEK 16.9 million in loans during 2013. The proceeds have mainly been used for the development of the Rönnbäcken Nickel Project and current monthly costs related to the Group overhead, listing, legal advice and on costs related to financing. The main part of the loans raised during 2013 will be repaid as a result of the set off issue described in this prospectus.

Further, in 2012, the Company raised a SEK 101 million in new equity by way of a rights issue directed towards the existing shareholders of the Group. By the end of 2012 about SEK 70 million was left of the cash raised during spring 2012. Immediately after the new main shareholder had appointed the new board the existing cash balance was transferred to a close related party of the main shareholder and left NMG Group in a situation of insolvency.

During 2011 Nickel Mountain Group raised about SEK 45.6 million net of transaction costs in equity for the funding of the core projects within the Group. Cash flow during 2011 amounted to SEK -53.9 million.

Nickel Mountain Group considers itself to have access to a number of different sources of venture capital at competitive prices. If the Company decides to increase the rate of development of its operations and thereby also its cash expenditure, this decision shall be based upon documented success from the Company's activities, implying that there will be adequate supply of venture capital made available.

There are currently no effective restrictions on the ability of the subsidiaries within Nickel Mountain Group to transfer funds to the Company in the form of cash dividends, loans or advances.

Depending on results from exploration and decisions made by the Board of Nickel Mountain Group, the cash flow surplus generated from the diamond operations of Nickel Mountain Group might not be sufficient for additional investment in exploration and further business development. Consequently, issue of equity instruments is likely to be used in connection with the Company's business development. Nickel Mountain Group will also evaluate options with partner(s) who might be interested to acquire a part of a project for payment in cash or money invested in the project, by way of an earn-in agreement. Alternatively, there is the option to sell specific projects, if this is considered to be beneficial to Nickel Mountain Group and its shareholders.

***Working capital statement***

At the date of this Prospectus, the Group have sufficient working capital for its present requirements for the next twelve months. The Company has estimated that the Group needs approximately a SEK 5 million in to fund the going concern of the group and to meet its current requirements regarding salaries, licence fees, listing costs at the Oslo Stock Exchange etc for the next 12 months period. The current cash balance will not cover additional work under the initiated pre-feasibility study of the Rönnbäcken Nickel Project. The completion of the pre-feasibility will require additional external funding; different funding alternatives for the funding of the continued pre-feasibility study are constantly being evaluated by the board.

The Group's existing working capital, exclusive of the proceeds from the issuance of the Offered Shares, is expected to be sufficient to cover existing commitments for the next 12 months period.

***Description of cash flows***

Consolidated operating cash flow in 2013, 2012 and 2011 reflects the fact that Nickel Mountain Group's current focus to a large extent has been and remains on exploration and development activities related to the Rönnbäcken Nickel project.

***Funding and treasury policies and objectives***

The Board, together with the management, shall ensure that the Company has adequate, though not excessive cash resources on-hand, and when applicable, through borrowing arrangements and overdraft or standby facilities, in order to have the level of funds available which are required to achieve its business/service objectives.

The Company has established accounting and internal control systems to ensure that the cash resources, or when applicable loan facility funds, are appropriate according to the budget and allowed use set by the Board of Directors, in accordance with laws, regulations and auditing standard and practices generally accepted in Norway.

***Statutory Auditor***

Mazars AB with the authorized auditor Johan Kaijser as head auditor is the independent auditor for the Company, and has been the Company's head auditor since April 2013. Johan Kaijsers address at Mazars AB is Mäster Samuelsgatan 56, Box 1317, SE-111 83 Stockholm.  Johan Kaijser is a member of the Swedish Institute of Public Accountants (Sw. *Föreningen Auktoriserade Revisorer*).

# 10 SHARE CAPITAL AND SHAREHOLDER MATTERS

## 10.1 General

Under Swedish law, limited liability companies are divided into two categories, private and public companies. Only the shares of public companies may be traded on a stock exchange or other regulated market place. The Company is a Swedish public limited liability company (in Swedish: publikt aktiebolag), subject to provisions of above all the Swedish Companies Act.

The Company's share capital prior to the Right Issue is SEK 10,613,860.50 distributed on 21.227.721 Shares, each with a quota value of SEK 0.50. The Company has one class of Shares which are fully paid. The Shares of the Company are currently admitted to trading on the Oslo Stock Exchange with the ticker "NMG".

The Company's statutory share register is operated through Euroclear in Sweden. The Shares are also registered in the VPS in Norway, but on a nominee-account in the name of Euroclear Sweden. The Company's registrar in Sweden is Nordea, Regeringsgatan 59, SE 105 71 Sweden. The Company's registrar in Norway is DnB Bank ASA. The securities number (ISIN number) for the Company's Shares is SE 0000378119.

## 10.2 Development in Share Capital

The Company has undertaken the following share issues since the 1 January 2009:

| Date | Transaction | Increase of number of shares | Change in share capital | Total number of shares | Total share capital | Face value (SEK) |
|---|---|---|---|---|---|---|
| 20/01/2009 | Issue in kind | 26,161,828 | 1,308,091 | 418,161,828 | 20,908,091 | 0.05 |
| 11/02/2009 | Conversion loan | 11,000,000 | 550,000 | 429,161,828 | 21,458,091 | 0.05 |
| 31/03/2009 | Issue in kind | 312,000 | 15,600 | 429,473,828 | 21,473,691 | 0.05 |
| 01/04/2009 | Conversion loan | 35,600,000 | 1,780,000 | 465,073,828 | 23,253,691 | 0.05 |
| 03/04/2009 | Conversion loan | 4,400,000 | 220,000 | 469,473,828 | 23,473,691 | 0.05 |
| 16/04/2009 | Conversion loan | 10,000,000 | 500,000 | 479,473,828 | 23,973,691 | 0.05 |
| 06/07/2009 | Exercise of warrant | 12,000,000 | 600,000 | 491,473,828 | 24,573,691 | 0.05 |
| 07/07/2009 | Issue in kind | 367,336 | 18,367 | 491,841,164 | 24,592,058 | 0.05 |
| 09/10/2009 | Conversion of debt | 68,000,000 | 3,400,000 | 559,841,164 | 27,992,058 | 0.05 |
| 09/10/2009 | New share issue | 221,800,000 | 11,090,000 | 781,641,164 | 39,082,058 | 0.05 |
| 26/11/2009 | New share issue | 14,068,789 | 703,439 | 795,709,953 | 39,785,498 | 0.05 |
| 31/03/2010 | Issue in kind (purchase of Efidium) | 495,399,057 | 24,769,953 | 1,291,109,010 | 64,555,451 | 0.05 |
| 12/05/2010 | New share issue | 64,632,664 | 3,231,633 | 1,355,741,674 | 67,787,084 | 0.05 |
| 28/06/2010 | New share issue | 10,802,538 | 540,127 | 1,366,544,212 | 68,327,211 | 0.05 |
| 22/07/2010 | New share issue | 53,675,699 | 2,683,785 | 1,420,219,911 | 71,010,996 | 0.05 |
| 30/09/2010 | New share issue | 385,398,899 | 19,269,945 | 1,805,618,810 | 90,280,941 | 0.05 |
| 30/05/2011 | New share issue | 2,348,649,150 | 117,432,458 | 4,154,267,960 | 207,713,398 | 0.05 |
| 25/11/2011 | New share issue | 40 | 2 | 4,154,268,000 | 207,713,400 | 0.05 |
| 25/11/2011 | Reversed split 1:80 | -4,102,339,650 | - | 51,928,350 | 207,713,400 | 4 |
| 25/11/2011 | Bonus issue | - | 46,735,515 | 51,928,350 | 254,448,915 | 4.9 |
| 25/11/2011 | Reduction of the share capital without redemption of shares | - | -241,466,828 | 51,928,350 | 12,982,088 | 0.3 |
| 25/04/2012 | New share issue | 129,820,875 | 32,455,219 | 181,749,225 | 45,437,306 | 0.25 |
| 12/12/2013 | Reversed split 1:10 | -163,574,303 | - | 18,174,923 | 45,437,306 | 2.5 |
| 19/12/2013 | Reduction of the share capital without redemption of shares | - | -36,349,845 | 18,174,923 | 9,087,461 | 0.5 |
| 27/01/2014 | Set off issue | 3,052,798 | 1,526,399 | 21,227,721 | 10,613,860.5 | 0.5 |

## 10.3 Share Options, Convertible Securities, Etc.

There is an outstanding convertible loan of SEK 5.000.000 hold by Norrlandsfonden entitling Norrlandsfonden to convert the loan against new shares in the Company at a conversion price of SEK 560 per share: The agreement was entered into in June 2010 and was issued based on the following conditions:

- The maturity date of the convertible loan was set to the 31 August 2018.
- The loan runs with an annual interest rate of STIBOR 90 (Stockholm Interbank Offering Rate) plus an interest surcharge of 4% to be paid quarterly.
- In case of conversion, the conversion rate per share will be SEK 560.
- The Company has got the right to repay the loan in cash in advance at any time during the duration of the loan. NMG will then be forced to pay a compensation for the lost interest to Norrlandsfonden of 15% (on an annual basis) on the loan amount during the period that it has been utilised by NMG.
- If fully converted the convertible loan will result in that an additional 8,929 shares will be issued (representing a dilution of about 0.04% based on 21,227,721 shares outstanding

In addition to above Altro Invest AB along with the Board members Svein Breivik, Renud Invest AS (company controlled by the board member Erlend Dunér Henriksen) and Ole Weiss have lent money to the company based on a loan agreement granting them the right to set off their principal loan amount against new shares. The total debt that is associated with the set off right amounts to SEK 5.6 million resulting in a potential latent dilution of about 6.4% if the set off right under the loan agreements is called for.

The Company has not issued any convertible securities, exchangeable securities, warrants or other securities exchange into Shares other than described above in this section.

## 10.4 Authorisation to Increase the Share Capital

On the November 22nd 2013, the EGM of the Company passed a resolution authorising the Board to decide, on one or several occasions, until the next annual general meeting, on the issuance of shares encompassing a share capital increase of up to SEK 9,087,461 corresponding to up to 18,174,922 shares

The authorisation is to be used to secure funding for the continued operations of the Group in general and for further development of the subsidiary Nickel Mountain Resources' Rönnbäcken Nickel Project, in particular. Payment for subscribed shares may be made in cash or by set-off.

The Board is authorized to issue no additional new shares pursuant to the authorization resolved by the EGM on 22 November 2013.

## 10.5 Own shares

The Company does not hold any of its own Shares. There is no authorization from the Board of Directors that the Company shall acquire any of its own Shares.

## 10.6 Shareholder Structure and Major Shareholders

As of the March 2013, the Company had about 5,000 shareholders. A summary of the Company's 20 largest shareholders registered in the VPS as of March 2014 is set out in the table below.

| | Number of shares | % of total | Investor | Country |
|---|---|---|---|---|
| 1 | 5,395,000 | 25.4% | DNB BANK ASA * | SWE |
| 2 | 481,367 | 2.3% | AROMA HOLDING AS | NOR |
| 3 | 355,000 | 1.7% | ABK VILLMARKSHYTTA AS | NOR |
| 4 | 342,513 | 1.6% | DANSKE BANK A/S | DNK |
| 5 | 250,000 | 1.2% | JOHANNESSEN SVEIN BØRGE | NOR |
| 6 | 203,350 | 1.0% | CLEARSTREAM BANKING | LUX |
| 7 | 197,069 | 0.9% | AVANZA BANK AB | SWE |
| 8 | 196,072 | 0.9% | SAXO PRIVATBANK A/S | DNK |
| 9 | 190,683 | 0.9% | HEGGELUND JAN | NOR |
| 10 | 188,032 | 0.9% | DNB BANK ASA, EMI | NOR |

| | | | | |
|---|---|---|---|---|
| 11 | 180,000 | 0.8% | KVAMME KJARTAN | NOR |
| 12 | 166,764 | 0.8% | HOSTAD HENNING | NOR |
| 13 | 162,439 | 0.8% | NORDNET BANK AB | SWE |
| 14 | 150,000 | 0.7% | WIKBORG TROND | NOR |
| 15 | 146,103 | 0.7% | TEIR MAGED ELABD SOLIMAN | ROU |
| 16 | 127,700 | 0.6% | BREIVIK SVEIN HALVOR | NOR |
| 17 | 127,444 | 0.6% | NORDNET PENSJONSFORSIKRING | NOR |
| 18 | 120,411 | 0.6% | NGO TUYET THI | NOR |
| 19 | 120,000 | 0.6% | ENGELSEN GLENN | NOR |
| 20 | 108,800 | 0.5% | L LANGEDAL HOLDING AS | NOR |

All shareholders with a shareholding of 5% or more are subject to disclosure regulations (notification of large shareholdings). As far as the Company is aware, there is no natural or legal person who directly or indirectly has a shareholding of 5% or more in the Company, other than the shares held by Altro Invest AB, through the nominee account of DnB Bank ASA.

All Shares and shareholders have equal rights, including voting rights. Major shareholders do not have different voting rights. To the knowledge of the Board, there are no arrangements which may at a subsequent date result in a change of control of the Company. One share equals one vote in the table above.

To the knowledge of the Company, the Company is not directly or indirectly owned or controlled by a single shareholder or a group of shareholders acting in concert. The Company has not implemented any specific measures to prevent abuse of control from a major shareholder. However, certain provisions of the Swedish Limited Companies Act and other legislation relevant to the Company aim to prevent such abuse.

## 10.7 Dividend Policy

The Company intends to follow a dividend policy favourable to the shareholders. The amount of any dividends to be distributed will be dependent on the Company's investment requirements, and the rate of growth, as well as the general development and financing requirements of the Company.

The Company has not paid any divided since its incorporation.

## 10.8 Memorandum and Articles of Association

The Articles of Association of the Company are included as Appendix 1 to this Prospectus. According to section 3 of the Articles of Association, the purpose of the Company is, directly or through subsidiaries or joint ventures, to carry on mining activities and exploration of minerals, and to own and manage movable and real property, and activities connected with such. The Company has one class of shares only. According to section 6 of the Articles of Association the Board of Directors shall have at least three (3) and a maximum of six (6) members. The Articles of Association of the Company contain no provisions restricting foreign ownership of Shares. There are no limitations under the Articles of Association on the rights of non-residents or foreign owners to hold or vote the Shares.

## 10.9 Shareholder Rights

The Shares are identical in every respect and carry the right to one vote at general meetings. None of the major shareholders have different voting rights.

All potential future dividends of the Company shall be declared, apportioned and paid to the shareholders registered as shareholders on the relevant date. Shareholders have pre-emption rights in new issues of securities by the Company unless such pre-emption rights are waived by a shareholders' resolution which requires support by two-thirds of the votes cast as well as two-thirds of the aggregate share capital represented at the general meeting of the Company.
Any amendment of the shareholders rights to vote at general meetings must be done by amending the Articles of Association. There are neither restrictions on the transferability of the Shares nor any

restrictions on foreign ownership of the Shares. Existing Shareholders do not have any pre-emptive rights upon the transfer of Shares.

## 10.10 General Meetings of Shareholders

All shareholders in the Company are entitled to attend and vote at general meetings, either in person or by proxy. In general, in order to be entitled to vote, a shareholder must be registered as the owner of Shares in the share register kept by Euroclear and give notice to the Company of his participation in accordance with the notice of the meeting. Beneficial owners of Shares that are registered in the name of a nominee are generally not entitled to vote under Swedish law, nor are any persons who are designated in the register as holding such Shares as nominees. Shareholders registered as such in the VPS will only be entitled to vote at general meetings of the Company if arrangement for registration of entitlement to vote (in Swedish: Rösträttregistrering) in Euroclear has been made through the Registrar at the latest 5 business days (including Saturdays) prior to the general meeting and notice has been given to the Company of said participation at the general meeting in accordance with the notice to the meeting. According to the Company's Articles of Association notice of a general meeting of the shareholders shall be published in the journal "*Post och Inrikes Tidningar*" and on the Company's web site, and an announcement that notice has been given shall be placed in the journal "Dagens Industri". The notice shall include matters to be addressed at the meeting, and a proposal for an agenda for the meeting. A shareholder is entitled to submit proposals to be discussed at general meetings provided such proposals are submitted in writing to the Board of Directors in such good time that it can be entered on the agenda of the meeting.

The Annual General Meeting shall be called by the Board such that it can be held within six (6) months from the end of each financial year. The annual general meeting shall deal with and decide on the submission of the annual financial statement and annual report, the question of declaring dividend and such other matters as may be set out in the notice of the annual general meeting.
Extraordinary general meetings can be called by the Board. In addition, the Board shall call an extraordinary general meeting whenever so demanded in writing by the auditor or shareholders representing at least 10% of the share capital, in order to deal with a specific subject.

The following matters shall always be resolved by the annual general meeting:

- Submission of the annual report and the auditors' report as well as, where appropriate, the consolidated accounts and auditors' report on the consolidated accounts;
- adoption of the profit and loss account and balance sheet and, where appropriate, the consolidated profit and loss account and consolidated balance sheet;
- allocation of the company's profits or losses as set forth in the adopted balance sheet;
- discharge from liability of the members of the Board and the managing director;
- determination of the remuneration to the Board and the auditors; and
- election of the Board members and auditors.

## 10.11 Disclosure Requirements

Under Norwegian law, when an acquisition, disposal or any other circumstance occurs, that causes the shareholder's proportion of shares and/or rights to shares to reach, exceed or fall below certain thresholds 5 of the share capital or an equivalent proportion of the voting rights in a company whose shares are quoted on the Oslo Stock Exchange, the shareholder shall immediately notify such acquisition/disposal to the Oslo Stock Exchange. However, since the Companys' registered office and the Home State pursuant to the EU-regulation is Sweden, the following Swedish thresholds will apply: 5 %, 10%, 15%, 20%, 25%, 30%, 50%, 66 2/3% or 90% of the share capital or an equivalent proportion of the voting rights.

## 10.12 Mandatory Offer Requirement

As the Company's registered office is in Sweden, and the Shares of the Company are admitted to trading on the Oslo Stock Exchange, partly Swedish and partly Norwegian mandatory offer rules will apply.

According to subsection 2 of section 6-14 of the Norwegian Securities Trading Regulations matters relating to;

- the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of Norway, whereas;
- in matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, as well as the conditions under which the board of the offeree company may undertake any action which might result in the frustration of the bid, the applicable rules of Sweden will apply.

Swedish rules on the thresholds triggering a mandatory offer obligation, and rules on consolidation, will also apply in relation to the Company. Pursuant to the Swedish Act on Public Takeover Bids on the Stock Market (Sw. *Lagen om offentliga uppköpserbjudanden på aktiemarknaden*) any person that acquires more than 3/10 of the voting rights of a listed company (including a Swedish company listed on the Oslo Stock Exchange) is required to make an unconditional public offer for the purchase of the remaining shares in the company. Further, the shares of related parties, such as close relatives of the shareholder and companies controlled by such persons, companies in the same group of companies as the shareholder, and persons with which the shareholder is bindingly acting in concert and companies controlled by such persons, are considered equal to the shareholder's own shares.

The Oslo Stock Exchange will be the authority competent to supervise the takeover bid. Matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules set out in the Norwegian Securities Trading Act. According to the Norwegian Securities Trading Act, the offer must be made within four weeks after the threshold was passed and is subject to approval by the Oslo Stock Exchange before submission to the shareholders. All shareholders must be treated equally. The offer price per Share must be at least as high as the highest price paid or agreed by the bidder in the six-month period prior to the date when the obligation to make a mandatory offer occurred, but if it is clear that the market price at the point the mandatory bid obligation was triggered is higher, the bid shall be at least as high as the market price. In the event that the acquirer thereafter, but prior to the expiration of the bid period, acquires or agrees to acquire, additional Shares at a higher price, the acquirer is obliged to restate its bid at that higher price. A mandatory offer must be in cash. A bid may nonetheless give the shareholders the right to accept an alternative to cash. A shareholder who fails to make the required offer must within four weeks dispose of sufficient shares so that the obligation ceases to apply (i.e. reduce the ownership to a level below the relevant threshold). Otherwise, The Oslo Stock Exchange may cause the shares exceeding the relevant threshold to be sold by public auction. The Oslo Stock Exchange may impose a daily fine upon a shareholder who fails to make the required offer or sell down below the relevant threshold.

## 10.13 Compulsory Acquisition

According to the Swedish Companies Act, a shareholder that holds more than nine-tenths of the Shares in the Company (majority shareholder) shall be entitled to buy-out the remaining shares of the other shareholders (minority shareholders) of the Company. Furthermore, a minority shareholder whose Shares may be bought out in accordance with the aforementioned is entitled to compel the majority shareholder to purchase his shares. The purchase price shall be determined to market price and for listed shares the purchase price shall correspond to the listed value, unless specific circumstances otherwise dictate. A dispute regarding the existence of any buy-out right or obligation or the purchase price shall be determined by three arbitrators in accordance with the Swedish Arbitration Act.

## 10.14 Voting Rights

Each Share in the Company carries one vote. Each Share held by a major shareholder carries the same voting right as each Share held by any other shareholder.

As a general rule, resolutions that shareholders are entitled to make pursuant to Swedish law or the Company's Articles of Association require a simple majority of the votes being cast. In the case of election of directors to the Board, the persons who obtain the most votes cast are deemed elected to fill the positions up for election. However, as required under Swedish law, certain decisions, including resolutions to waive preferential rights in connection with any share issue, to approve a merger or de-merger, to amend the Company's Articles of Association or to authorise the Board to implement share capital increases with deviation from the shareholders' preferential rights or to implement reduction of the share capital, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a shareholders' meeting. Swedish law further requires that certain decisions, which have the effect of altering the rights and preferences of certain share or shares, receive the approval of all the holders of such share or shares present at the meeting and who together represent not less than nine-tenth of all shares whose rights are affected, as well as the majority required for amendments to the Company's Articles of Association. If such alterations only have effect on the rights of an entire class of shares, the decision requires the approval of one half of all the holders of shares of such class and nine-tenths of such class represented at the meeting, as well as the majority required for amendments to the Company's Articles of Association. Decisions that (i) would reduce any shareholder's right in respect of dividend payments or other rights to the assets of the Company; or (ii) restrict the transferability of the shares, are required to be supported by all of the shareholders present at the meeting who together represent not less than 90% of the share capital in the Company. Decisions that result in restrictions in the number of shares which shareholders may vote for at general meeting are required to be supported by two-thirds of the votes casts and nine-tenths of the shares represented at the general meeting.

In general, in order to be entitled to vote, a shareholder must be registered as the owner of Shares in the share register kept by Euroclear. Beneficial owners of Shares that are registered in the name of a nominee are generally not entitled to vote under Swedish law, nor are any persons who are designated in the register as holding such Shares as nominees. Shareholders registered as such in the VPS will only be entitled to vote at general meetings of the Company if arrangement for registration of entitlement to vote (in Swedish: Rösträttregistrering) in Euroclear has been made through the Registrar at the latest 5 business days (including Saturdays) prior to the general meeting and has noticed the Company of his participation at the general meeting in accordance with the notice to the meeting. For further information see section 9.10 above.

There are no conditions imposed by the memorandum or Articles of Association of the Company which set out more stringent conditions for changes in the capital than what is required by statutory law.

## 10.15 Additional Share Issuances and Preferential Rights

Under the Swedish Limited Companies Act, the Company's shareholders have a preferential right to subscribe for issues of new shares by the Company. New share issues with preferential rights for the Company's shareholders that do not require an amendment to the Articles of Associations, require the passing of a resolution at the general meeting by a simple majority (more than 50% of the votes present at the meeting). The shareholders' preferential rights to subscribe for shares in an issue may be waived by a resolution at a general meeting supported by two third of the votes and shares present at the general meeting.

Under the Swedish Companies Act, bonus issues may be distributed, subject to resolution at the general meeting, through transfer from the Company's free equity or from its statutory reserve or revaluation reserve. Such bonus issues may be affected either by issuing new shares or by increasing the quota value of the outstanding shares.

There are no conditions imposed by the memorandum or Articles of Association of the Company which set out more stringent conditions for changes in the capital than what is required by statutory law.

## 10.16 Dividends

Under Swedish law, no interim dividends may be paid in respect of a financial period as to which audited financial statements have not been approved by the annual general meeting of shareholders, and any proposal to pay a dividend must be recommended or accepted by the Board and approved by the shareholders at a general meeting. The shareholders may vote to reduce (but not to increase) the dividends proposed by the Board. However, the annual general meeting may vote to increase the dividends if such obligation is set forth in the articles of association or such dividend is approved due to the right of minority shareholders to receive the minimum dividend set forth by Swedish law. Dividends may only be paid, if the restricted equity of the Company is fully intact after the payment and presupposing that the payment is possible under the rule of prudence, e.g. the Company's need for consolidation.

Under Swedish foreign exchange controls currently in effect, transfers of capital to and from Sweden are not subject to prior government approval except for the physical transfer of payments in currency, which is restricted to licensed banks. Consequently, a non-Swedish resident may receive dividend payments without Swedish exchange control consent if such payment is made only through a licensed bank.

All shareholders registered as shareholders in Euroclear/VPS system at the registration date (Sw. *avstämningsdag*) established by the general meeting when deciding the dividend resolution, are entitled to dividend, unless otherwise decided in connection with the share issue, and dividends are paid out to the shareholders on the day decided by the general meeting. There are no restrictions on dividends or special procedures for shareholders who reside outside Sweden.

## 10.17 Change of the Rights of Holders of Shares

The Company's Articles of Association do not contain any special regulations for changing the rights of holders of the Company's Shares. Subject to specific requirements set out in the Swedish Companies Act, the general meeting may adopt a resolution to change rights attached on the Company's Shares. Such a resolution requires an amendment to the Articles of Association, which requires the same vote as other amendments to the Articles of Association. In addition, stricter majority requirements may apply depending on the manner in which the change of rights to be carried out.

## 10.18 Redemption and Conversion Rights

There are no redemption rights or conversion rights attached to the Shares.

## 10.19 Rights on Liquidation

Under Swedish law, the Company may be liquidated by a resolution of a simple majority at a general meeting of the Company. The Shares rank *pari passu* in the event of return of capital by the Company upon a liquidation or otherwise.

## 10.20 Reports to Shareholders

The Company publishes annual and interim reports that include financial statements. The consolidated financial statements are published in accordance with the International Financial Reporting Standards, IFRS, as issued by the International Accounting Standards Board.

## 10.21 Notification and Publication Requirements

The Company will provide its shareholders, the Oslo Stock Exchange, and the market as a whole with timely and accurate information. Notices will be published through the Oslo Stock Exchange's information system and on the Company's internet site.

# 11 LEGAL MATTERS

## 11.1 Legal and Arbitration Proceedings

Reference is made to the pending civil law suit against the former board for damages. The law suit will be filed to the District court of Stockholm during second quarter of 2014. The law suit is a result of the former board's decision to transfer SEK 50 million to a close related party of the main shareholder without an approval by a General Meeting. See section 6.9 for more information in this regard.

Except from the above there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware) involving the Group, during the previous 12 months which may have, or have had in the recent past significant effects on the Company's and/or the Group's financial position or profitability.

## 11.2 Related Party Agreements

As at the date of this Prospectus, the Company is party to the following agreements with related parties:

- NMG in January 2013 transferred 50 MSEK as a part payment in advance referable to a proposed purchase of a company called Ghana Gold AB from Alluvia Mining Ltd. Alluvia Mining at that time was a related party through its director of the Board, Terje E Lien, who also was a director of the NMG board at the time of the transfer. This transaction is described in more detail in other sections of this financial report. The above mentioned transaction is based on the principle of "arms length" pricing and market terms.
- Altro Invest, the single largest shareholder of NMG since August 2013, has supported NMG with a short-term loan facility during the second half of 2013. The facility was extended with a maximum amount to draw down of 4 MSEK. The interest rate is 7.5% p.a. and the loan formally expires in early May 2014. Altro Invest has declared its intention to, as soon as possible; allow conversion of the loan to equity by accepting a directed issue of shares. An EGM is being prepared for conducting said share issue, and will take place as soon as possible in early spring 2014.
- A 4 MSEK loan was offered to NMG in May 2013 by the former Board member Ulrik Jansson. It carries an interest rate of 12% p.a and has a duration of 3 years. Mr. Jansson resigned from the Board of NMG in the end of April 2013.
- The Board member Svein Breivik and Deputy Board member Erlend Henriksen offered short-term interest free loans to NMG in autumn 2013. In total NMG borrowed the equivalent of some 600 TSEK in this way via said two representatives.
- During the first half of 2013, after Amarant Mining had taken over as main shareholder, and a new Board was appointed, one after the other of the old management members either left or was asked to leave. When Altro Invest and the Norwegian minority shareholders appointed a new Board of Directors on August 2, 2013, NMG was in deep crisis, without cash to pay the daily bills and without management. The newly elected Board on August 2, therefore also had to take over the executive work. One of the then appointed Board members accepted to become Acting Managing Director, but all board members and the Deputy Board member had to start working hands on to save the company. In such way, the Board members and the Deputy Board member had to do a lot of management work during the second half of 2013. For this, they have invoiced NMG for professional services over and beyond normal board duties. In total professional services amounting to some 2 200 TSEK have been invoiced to NMG up to year-end 2013 by these members.

All of the above mentioned transactions were based on the principle of "arms' length" pricing and market terms except for the transaction related to the purchase of Ghana Gold and the borrowing from Ulrik Jansson.

Apart from the agreements mentioned above, not related party agreement exists.

## 11.3 Material Contracts

The Group has entered into the following contracts considered to be of material importance for the business of the Company:

- The contract related to the purchase of Ghana Gold in January 2013. The former board signed a purchase contract for Swedish Company called Ghana Gold AB which, according to the seller, Alluvia Mining, held an interesting gold asset in the Democratic Republic of Congo along with a right to purchase 6 recovery lines for alluvial production of minerals. The cash part of the purchase price was transferred by the former board without getting anything in return from the seller. The purchase was never approved by a general meeting and should, according to the contract, be declared invalid and the money should be returned. That never happened. NMG is preparing a law suit against the former board of SEK 54 million. The Board is of the opinion that a law suit against the seller under the contract, Alluvia Mining Ltd, will not result in anything positive for NMG as the seller most likely is an empty shell existing only by way of a corporate registration number on Jersey.

  If the seller, Alluvia Mining Ltd, fulfils its obligations under the existing contract between Nickel Mountain Group and the seller it would have a material positive effect on the financial position of the Group.

- In conjunction to the above agreement NMG signed a contract of a credit facility giving NMG a possibility to call for liquidity by way of a USD 5 million loan. The creditor under the contract was Amarant Finance Ltd, a close related party to the main shareholder at the time, Amarant Mining Ltd. Under the contract NMG has the right do make draw down notices of cash up to an amount of USD 5 million to be paid by Amarant Finance within 15 days after the confirmation of the received draw down notice. Representative of Amarant Finance, Johan Ulander, acknowledged that NMG had made a draw down on this facility on the 22$^{nd}$ of February and on the 25$^{th}$ of March 2013 and promised to transfer funds. No money has yet been paid to NMG based on this loan agreement.

  If the creditor under the facility agreement, Amarant Finance Ltd, fulfils its obligation under the existing contract between Nickel Mountain Group and the creditor it would have a material positive effect on the financial position of the Group.

- A consultancy agreement with the current CEO, Torbjörn Ranta. The contract runs until further notice with a mutual notice period of 3 months.

# 12 NORWEGIAN TAX

*The following is a summary of certain Norwegian tax considerations relevant to the ownership and disposal of shares by holders that are resident of Norway for purposes of Norwegian taxation.*

*The summary is based on applicable Norwegian laws, rules and regulations as they exist as of the date of this Prospectus. Such laws, rules and regulations are subject to change, possibly on a retroactive basis. The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to the shareholders and does not address foreign tax laws.*

*Shareholder are advised to consult their own tax advisors to determine the overall and particular tax consequences of their ownership of shares and the applicability and effect of any Norwegian or foreign tax laws, tax treaties and possible changes in such laws.*

## 12.1 Taxation of dividends

***Corporate shareholders***

Dividends distributed from the Company to Norwegian corporate shareholders (i.e. limited liability companies and similar entities) are currently exempt from taxation in Norway according to the Norwegian tax exemption method, except for 3% of the taxpayer's dividend income from qualifying shares which under the tax exemption method are taxed at a rate of 28%. Taxation of 3% of the taxpayer's dividend income at rate of 28% does not apply if the corporate shareholder owns more than 90% of the shares in the Company

According to the Nordic tax treaty article 10 (3), Swedish withholding tax of 15% applies for a corporate shareholder resident in Norway. No Swedish withholding tax shall apply if the beneficial owner of the dividends is a company (other than partnership) which holds directly at least 10% of the capital of the company paying the dividends. Please note that to the extent a Swedish withholding tax is levied (see above) this tax will not be credited in Norway.

***Individual shareholders***

Dividends distributed to individual Norwegian shareholders exceeding a calculated tax free allowance ("skjermingsfradrag"), will be taxed in Norway as ordinary income for the shareholder. Ordinary income is taxed at a flat rate of 28%. The taxpayer will, however, be entitled to the following tax credits:

a) Tax credit for withholding tax paid in Sweden

According to the Nordic tax treaty article 10 (3) Swedish withholding tax of 15% applies for an individual shareholder. See also section 12.2 with respect to withholding tax levied in Sweden.

An individual shareholder will be entitled to a credit in Norwegian tax on dividends received from the Swedish company for withholding tax paid in Sweden. The effective Norwegian Tax will then be lower than 28%.

*b) Tax-free allowance ("skjermingsfradrag")*

The tax-free allowance is calculated annually on a share to share basis (not on a portfolio basis). The annual allowance for each share will be equal to the cost price of that share multiplied by a risk free interest rate ("skjermingsrente"). Any part of the calculated annual allowance exceeding the dividend distributed on the share in one year will be added to the cost price of that share and included in the basis for calculating the tax-free allowance the following year. The allowance for each share is accordingly equal to the total of (annual) allowance amounts calculated for the share for previous years, less dividends distributed on the share.

The tax-free allowance is allocated to individual shareholders holding shares at the end of each calendar year. Individual shareholders who transfer shares will not be entitled to deduct any calculated allowance related to the year of transfer.

## 12.2 Taxation on realisation of Shares

***Corporate shareholders***

According to the tax treaty article 13 (6) capital gains from disposal of shares in a Swedish resident company held by a Norwegian corporate shareholder is taxable only in Norway. See also chapter 13.2. For Norwegian corporate shareholders, gains from sale or other disposal of shares in the Company are currently exempt from taxation in Norway according to the Norwegian tax exemption. Correspondingly losses upon the realization and costs incurred in connection with the purchase and realization of such share are not deductible for tax purposes.

***Individual shareholders***

According to the tax treaty article 13 (6) capital gains from disposal of shares in a Swedish resident company held by a Norwegian individual shareholder is taxable only in Norway. See also section 13.2. For Norwegian individual shareholders gains from sale or other disposal of shares are taxable in Norway as ordinary income at a rate of 28% and losses are deductible against ordinary income. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares realized.

Gain or loss is calculated per share, and the capital gain (or loss) is equal to the sale price less the cost price of the shares less transactions costs. From the basic calculation of the capital gain Norwegian individual shareholders are entitled to deduct a calculated tax-free allowance on the same share, when calculating their taxable income (see above). The calculated allowance may only be deducted in order to reduce a taxable gain calculated upon the realisation of the share, and may not be deducted in order to produce or increase a loss for tax purposes i.e. any unused allowance exceeding the capital gain upon realization of a share will be annulled.

The tax free allowance is allocated to the individual shareholders holding shares at the end of each calendar year. Individual shareholders who transfer shares will not be entitled to deduct any calculated allowance related to the year of transfer.

If a shareholder sell shares acquired at different times, the shares that were first acquired will be deemed as first sold (the FIFO-principle) upon calculating taxable gain or loss.

A Norwegian individual shareholder who moves abroad and ceases to be tax resident in Norway or is regarded as tax resident in another jurisdiction according to an applicable tax treaty, will be deemed taxable in Norway for any inherent gain related to the shares held at the time the tax residency ceased under Norwegian law or the time when the shareholder was regarded as tax resident in another jurisdiction according to an applicable tax treaty, as if the shares were realised the day before the tax residency ceased (*exit taxation*). Currently, total inherent capital gains of NOK 500.000 or less are not taxable.

If the shareholder moves to a jurisdiction within the EEA, inherent losses related to shares held at the time the tax residency ceases will be tax deductible. To avoid payment of the tax triggered due to the exit tax rules the shareholder may instead provide sufficient security. If the shareholder moves to a jurisdiction within the EEA with which Norway has a tax treaty providing for exchange of information and assistance, providing a security is not necessary.

Payment of the calculated tax due to the exit tax rules will in any case be due (and loss deduction applicable) at the time the shares are actually sold or otherwise disposed of. The tax liability calculated according to these provisions may i.a. be annulled if the shares are not realised within five years after the shareholder ceased to be resident in Norway for tax purposes under Norwegian law or was regarded as tax resident in another jurisdiction according to an applicable tax treaty.

## 12.3 Net wealth tax

Norwegian limited liability companies or similar entities are exempted from net wealth tax. For other resident shareholders, the shares will form part of the net capital of such shareholder and be subject to net wealth tax. Listed shares are valued at the quoted value at January 1 in the assessment year. The current marginal wealth tax rate is 1.1%.

## 12.4 Inheritance tax

When shares are transferred either through inheritance or as a gift, such transfer may give rise to inheritance or gift tax in Norway if the deceased, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway. However, in the case of inheritance tax, if the deceased was a citizen but not a resident of Norway, Norwegian inheritance tax will not be levied on shares if inheritance tax, or a similar tax, is levied by the deceased's country of residence.

Norwegian inheritance tax may be levied if the shares are effectively connected with certain business activities carried out by the shareholder in Norway.

# 13 SWEDISH TAX

The statements herein regarding taxation are unless otherwise stated based on the laws in force in Sweden as of the date of this Prospectus, and are subject to any changes in law occurring after such date. Such changes could be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose of the shares. Furthermore, the summary only focuses on the shareholder categories explicitly mentioned below (individual shareholders and limited liability companies).

Shareholders are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of Shares. In particular, this document does not include any information with respect to U.S. taxation or taxation in any other jurisdiction than Sweden. Prospective investors who may be subject to tax in the United States or any other jurisdiction are urged to consult their tax adviser regarding federal, state, local and other tax consequence of owning and disposing of Shares.

## 13.1 Taxation of dividends - Individual shareholders

Dividends paid to an individual Swedish tax resident are taxed in Sweden as capital income at a flat rate of 30%. Euroclear Sweden or – if the shares are nominee registered – the Nominee normally withholds the tax as a preliminary tax. Should the dividend be paid in kind (Sw. sakutdelning) instead of cash to a Swedish tax resident individual no preliminary tax is withheld.

## 13.2 Taxation of dividends - Corporate shareholders (Limited liability companies)

Dividends – in cash or in kind (Sw. sakutdelning) – paid to a Swedish corporate shareholder are normally taxed as ordinary business income at a flat rate of 26.3%. Dividends attributable to so-called business-related shares are tax-exempt. Publicly traded shares are considered as being business-related if the transferor holds at least 10% of the voting rights in the sold company or if the holding otherwise is necessary for the business conducted by the holder or any of its affiliates and that the transferor has held the transferred shares for an uninterrupted period of at least 12 months prior to the transfer date and that the transferor during this 12-month period has held a participation of at least 10% in the voting rights of the transferred company.

## 13.3 Taxation on realisation of Shares - general

The capital gain or, where applicable, the capital loss, is calculated as the difference between the sales proceeds less sales expenditure and the acquisition cost (costs related to acquisition and potential improvements) for the Shares sold. The acquisition cost is calculated according to the so-called average method, implying that the tax acquisition cost is calculated as the average acquisition cost for all of the Shares of the same type and class.

Since the Shares in the Company are publicly traded, the acquisition cost related to these shares may be determined as 20% of the sales price after deduction of expenses related to the sale; the so-called standard rule

## 13.4 Taxation on realisation of Shares - Individual shareholders

A capital gain realized by Swedish tax resident individuals is taxed as capital income at a flat rate of 30%. A capital loss is normally deductible with 70% against other capital incomes. However, capital losses on publicly traded shares (such as the Company's Shares) are fully deductible against capital gains on shares (publicly traded and not-publicly traded) and on publicly traded securities taxed as shares (except for parts in interest funds) and which have been realized the same year. Capital losses may not be carried forward to the following income year.

If a net capital income loss should arise, 30% of this loss may be credited against earned income tax and against real estate tax. However, if the loss exceeds SEK 100,000 only 21% of the excess portion allows for a tax credit

## 13.5 Taxation on realization of Shares - Corporate shareholders

A capital gain realized by a corporate shareholder is normally taxed as ordinary business income at a flat rate of 26.3%. Please refer below regarding corporate shareholders holding so-called business related shares. Capital losses may only be deducted against capital gains on other securities taxed as shares. In certain cases capital losses may be offset against capital gains realized by group companies if group contributions can be exchanged between the companies. Capital losses that are not offset against capital gains may be carried forward to the following income year.

Capital gains and capital losses attributable to so-called business related shares held by corporate shareholders are not taxable/tax deductible. Special rules apply when a share cease to be business related.

## 13.6 Net wealth tax

There is no wealth tax in Sweden.

# 14 ADDITIONAL INFORMATION

## 14.1 Statements by Experts – Competent Persons Report

At the date of this Prospectus, and according to the Company, the current competent person reports are regarded as giving a representative picture of today's situation. All reports have been produced at the Company's or the Company's predecessors' request. The full report can be found at the Company's website, of which reference is provided in the Cross Reference list of 16.3.

NMG affirms that no material changes have occurred since the date of the competent persons' reports the omission of which would make the competent persons report misleading.

The Company reports mineral resources as well as reserves according to the approved standards, when required and in order to meet the requirements of being listed on the Oslo Stock Exchange and to provide the market and its shareholders with any relevant information that is conveyed to the Company.

## 14.2 Third Party Information

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

# 15 DEFINITIONS & GLOSSARY TERMS

The following definitions and glossary apply in this Prospectus unless dictated otherwise by the context, including the foregoing pages of this Prospectus. Definitions in plural also apply for words in singular, and vice versa.

| | |
|---|---|
| AGM | Annual General Meeting |
| Articles of Association | The articles of Association of the Company as the date of the Prospectus, attached as Appendix 1 |
| Board | The Board of Directors of the Company |
| Business Day | A day (not being a Saturday) on which banks are open for normal business in Oslo |
| CET | Central European Time |
| CIM Guidelines | Canadian Institute of Mining, Metallurgy and Petroleum |
| Claim or utmål | Right to explore, produce and mine within certain limits as defined in the Norwegian Mining Act of 1972. Such right may be applied for if the production from the mine is or, within reasonable time, most probably will be profitable |
| Company | Nickel Mountina Group (publ) |
| CSR | Corporate Social Responsibility |
| CPR | Competent Persons Report |
| DCF | Discounted Cash Flow |
| DnB | DNB Bank ASA (former DNB NOR Bank ASA) |
| DRC | Democratic Republic of Congo |
| EBIT | Earnings Before Interest and Tax |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortisation |
| EIA | Environmental Impact Assesment |
| Eligible Shareholders | Existing Shareholders who on the record date as of [12 March l 2012] are registered as shareholders in Euroclear Sweden AB (formerly VPC) and/or VPS system and legally can receive this Prospectus and subscribe for the Offered Shares |
| Existing Shareholders | Shareholders who on the record date as of [12 March 2012] are registered as shareholders in Euroclear Sweden AB (formerly VPC) and/or VPS system |
| Group | The Company and its subsidiaries |
| HPAL | High Pressure Acid Leach |
| IFRS | International Financial Reporting Standards |
| NMG | Nickel Mountain Group AB (publ) |
| IGE Diamond | IGE Diamond AB |
| Adiam | African Diamond AB |
| Ineligible Shareholders | Existing Shareholders resident in jurisdictions where the Prospectus may not be distributed and/or with legislation that, according to the Company's assessment, prohibits or otherwise restricts subscription for Offered Shares |
| IRR | Internal Rate Return |
| Management | The executive management of the Company |
| Minerals Act | Swedish act 1991:45 the Minerals Act |

| | |
|---|---|
| MRG | Mitchell River Group Pty Ltd |
| MRG Agreement | Agreement with MRG regarding the Rönnbacken project |
| Muting or Pre-claim | Norwegian initial exploration licence as defined in the Norwegian Mining Act of 1972. A Claim is a 250x250 meter permit from Bergmesteren to initiate initial exploration for minerals with specific density above 5 |
| NMR | Nickel Mountain Resources AB |
| Nickel Mountain Resources | Nickel Mountain Resources AB |
| NPI | Nickel Pig Iron |
| NPV | Net Present Value |
| NGU | The Geological Survey of Norway |
| NOK | The currency in the Kingdom of Norway (Norwegian krone) |
| Offered Shares | The Offered Shares in the Company to be issued in connection with the Rights Issue and subsequently listed on Oslo Stock Exchange |
| Ore | Mineral of proven economic value |
| Ore reserve | A mineral deposit of proven economic value |
| Oslo Stock Exchange | Oslo Børs ASA |
| Prospectus | This Prospectus issued by the Company in relation to the offering of and listing of the Offered Shares |
| Prospectus Rules | The Prospectus rules in the Securities Trading Act and the Securities Trading Regulation, which implements the Prospective Directive (EC/2003/71), including the Commission Regulation EC/809/2004, in Norwegian law |
| Registrar (Norway) | DnB Bank ASA |
| RMG | Raw Materials Group |
| SEK | The currency in the Kingdom of Sweden (Swedish krone) |
| SGU | Geological Survey of Sweden |
| Shareholder | A shareholder of the Company |
| Swedish Limited Companies Act | The Swedish Limited Companies Act of 2005:551 (as amended) |
| Securities Trading Act | The Norwegian Securities Trading Act of 26 June 2007 No. 75 (as amended) |
| Securities Trading Regulation | The Norwegian Securities Trading Regulation of 29 June 2007 No. 876 (as amended) |
| NMG Share or Share | An issued and outstanding share of NMG, having a nominal value of SEK 0.50. |
| SRK | SRK Consulting (Sweden) AB |
| TPA | Tonnes per annum |
| TMF | Tailings Management Facility |
| VPS | The Norwegian Central Securities Depository |
| VPS account | An account held with VPS to register ownership of securities |
| VPC | The Swedish Central Securities Depository - Euroclear Sweden AB (formerly VPC AB) |
| VP account | An account held with Euroclear to register ownership of securities |

# 16 APPENDICES AND DOCUMENTS ON DISPLAY

## 16.1 Appendices

The following appendices are included in this Prospectus:

- Appendix 1: Articles of Association of the Company
- Appendix 2: Competent Persons Report; Rönnbäcken Nickel Project

## 16.2 Documents on Display

The documents listed below (or copies thereof) will be available for inspection for the life of the Prospectus on the Company's website: www.nickelmountain.se and at the Company's headquarters at Kungsgatan 44, SE-111 35 Stockholm, Sweden during normal business hours:

(a) the memorandum and Articles of Association of the Company;

(b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the Prospectus; and

(c) the historical financial information for the Company and its subsidiary undertakings for each of the three financial years preceding the publication of the Prospectus (2013, 2012 and 2011).

(d) Financial information of Q4 2013

## 16.3 Cross Reference List

| Name of document | Prospectus reference (section) | Available from | Specification / relevant pages |
|---|---|---|---|
| The Company's Year End report for 2013 | Section 9 | http://nickelmountain.se/wp-content/uploads/2014/03/Q4-2013_140227.pdf | The Financial statements 2013 |
| The Company's annual report for 2012 | Section 9 | http://nickelmountain.se/wp-content/doc/fr/2012/Arsredovisning_IGE_AB_2012.pdf | Financial statements 2012 (incl. director's report):<br>Auditor's report: |
| The Company's annual report for 2011 | Section 9 | http://nickelmountain.se/wp-content/doc/fr/2011/Annual_report_2011_English.pdf | Financial statements 2011 (incl. director's report):<br>Auditor's report: |
| Competent persons report for resources in Sweden | Section 6.6 | | |

All figures, resource estimates, economic calculations, updates regarding the Rönnbäcken Project mentioned in the prospectus are without exception totally based on the NI 43-101 Technical Reports by SRK Consulting (Sweden) AB, hereinafter referred to as "SRK". All Technical Reports with regard to the Rönnbäcken Project conform to the Canadian "National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101).

The most recent, updated reports relevant for the prospectus are:

1. "Preliminary Economic Assessment for the Rönnbäcken Nickel Project", prepared as a National Instrument 43-101 Technical Report by SRK, effective date 5 December 2011.
2. "Mineral Resource Estimate update for the Rönnbäcknäset Nickel Deposit, Sweden", prepared as a National Instrument 43-101 Technical Report by SRK, effective date 23 January 2012,

3. “An independent competent persons report on the Rönnbäcken Project in Sweden held by Nickel Mountain Group AB”, prepared by SRK, effective date April 23rd 2014.

Here is a list of the all the reports NI 43-101 Technical Reports made for Nickel Mountain relating to the Rönnbäcken Nickel Project:

- *Mineral Resource Estimate for the Rönnbäcken Project by SRK Consulting-January 2012*
- *Preliminary Economic Assessment for the Rönnbäcken Project by SRK Consulting-December 2011*
- *Preliminary Economic Assessment for the Rönnbäcken Project by SRK Consulting-April 2011*
- *Mineral Resource Estimate for the Rönnbäcken Nickel Project by Mitchell River Group – December 2010 (revised January 2011)*
- *Mineral Resource Estimate for the Rönnbäcken Nickel Project by SRK Consulting – April 2010.*
- *Technical Report on the Preliminary Assessment of the Rönnbäcken Nickel Project by Scott Wilson RPA – November 2009.*

All the above NI 43-101 Technical Reports can be downloaded at:

http://nickelmountain.se/investor-relations/technical-reports/

Mineral Resource Estimate for the Rönnbäcken Project by SRK Consulting-January 2012

http://nickelmountain.se/wp-content/doc/2012_1.pdf

## Appendix 1: Articles of Association of Nickel Mountain Group AB (office translation into English)

**ARTICLES OF ASSOCIATION**

**of**

**Nickel Mountain Group AB (publ)**

**reg.no. 556227-8043**

1. Company name

The name of the company is Nickel Mountain Group AB (publ).

2. Registered office

The registered office of the company is in the county and borough of Stockholm.

3. Company business

The company shall solely, through subsidiaries or through cooperation with others, engage in mining and mineral prospecting business as well as own and administrate real and personal property, as well as conduct other activities compatible therewith.

4. Share capital

The share capital shall amount to a minimum of SEK 8,000,000 and a maximum of SEK 32,000,000.

5. Number of shares

The number of shares shall be a minimum of 16,000,000 and a maximum of 54,000,000.

6. The board of directors

The board of directors shall consist of three (3) to six (6) directors with no more than six (6) deputy directors.

7. Auditors

For the review of the company's annual report and accounting records as well as the management pursued by the board of directors and the managing director, the company shall elect an auditing company or one (1) or two (2) auditors with one (1) deputy auditor.

8. Notice of shareholders' meetings

Notice of shareholders' meetings shall be announced in Post och Inrikes Tidningar and on the company's home page. It shall be announced in Dagens Industri that notice of shareholders' meeting has been given.

9. Prior notice of participation

In order to participate at shareholders' meeting, shareholders must both be registered in a print-out of the shareholders' register made five days before the meeting, and must also notify the company at 1600 hours at the latest on the date specified in the notice of the shareholders' meeting. Such date must not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve, or New Year's Eve and must not occur earlier than the fifth weekday prior to the shareholders' meeting.

Each shareholder has the right to be accompanied at shareholders' meeting by one (1) or two (2) advisors, provided that the shareholder has notified the company of the advisors in the manner specified above.

10. Presence by outsiders

The board may rule that a non-shareholder in the company, under conditions decided by the board, may be present or otherwise follow the proceedings at the shareholders' meeting.

11. Record date provision

The company's shares are to be registered in a VPC register pursuant to the Financial Instruments Accounts Act (1998:1479).

12. Annual general meeting

Annual general meeting of the shareholders shall be held within six (6) months of the expiry of the financial year.

The following matters shall be addressed at the annual general shareholders' meeting:

a) Election of the chairman of the meeting.

b) Preparation and approval of the voting list.

c) Approval of the agenda.

d) Appointment of one or two persons to attest the minutes.

e) Determination as to whether the meeting has been duly convened.

f) Presentation of the annual report and the auditors' report as well as,

where appropriate, the consolidated accounts and auditors' report on

the consolidated accounts.

g) Resolution regarding the:

(i) adoption of the profit and loss account and balance sheet and, where appropriate, the consolidated profit and loss account and consolidated balance sheet;

(ii) allocation of the company's profits or losses as set forth in the adopted balance sheet;

(iii) discharge from liability of the directors of the board and the managing director;

h) Resolution on the number of directors and deputy directors of the board and the number of auditors and alternate auditors.

i) Determination of the remuneration to the board of directors and the auditors.

j) Election of directors and deputy directors of the board and auditors and deputy auditors.

k) Other matters to be dealt with at the meeting according to the Swedish Companies Act (2005:551) or the articles of association.

13. Financial year

The fiscal year of the company shall be calendar year.

NickelMountain

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