
Interim Report January – September 2010

EVENTS DURING THE PERIOD

- During the period, Dannemora Mineral signed a second trial delivery agreement with Arcelor Mittal. The new agreement, which was signed in October, covers approx. 10,000 tonnes and means that Dannemora will deliver a total of approx. 25,000 tonnes of ore to Arcelor Mittal, which will include both lump ore and sintered fines.
- ThyssenKrup received a trial delivery, while Salzgitter and SSAB conducted full-scale testing. The test results matched the customers' expectations and negotiations on long-term supply contracts were initiated.
- Negotiations on terms and conditions for bank financing were launched in parallel with the customer agreement negotiations.
- Renovation of the railway line between Örbyhus and Hargshamn is proceeding according to plan and is expected to be completed by December 2010. Other ongoing investments in ramp development and permanent water-pumping systems are also on schedule.
- The process to recruit seven key personnel before the operational start-up of the Dannemora mine began.
- Net sales for the period January – September 2010 amounted to SEK 20.8 million. Profit/loss after net financial items during the same period amounted to SEK -41.6 million. Net sales for Q3 2010 amounted to SEK 13.4 million, while profit/loss after net financial items was SEK -12.7 million.
- Total cash flow for the period January – September 2010 amounted to SEK 196.8 million. Cash flow for Q3 2010 was SEK -23.3 million.
- Investments in the period January – September 2010 amounted to SEK 20.8 million. Investments during Q3 2010 totalled SEK 13.1 million.
- Cash & cash equivalents at 31 September 2010 amounted to SEK 257.3 million.

DANNEMORA IRON ORE MINE

Market conditions

The steel market has continued its recovery which is also manifesting itself in the European market too. The World Steel Association predicts that steel consumption will increase by 13 percent to 1.27 billion tonnes in 2010 after having fallen by almost 7 percent in 2009. The Association has made an upward revision of its prediction by 35 million tonnes since April and is expecting growth to continue, reaching a new record of 1.34 billion tonnes in 2011. Increased consumption is largely due to growth in the EU, NAFTA and the CIS countries.

Steel production increased by 4.2 percent in the period January – August 2010 compared with the same period the previous year. In the European steel industry, which is so important to Dannemora, German production rose by 17 percent.

Demand for iron ore has risen correspondingly, and the price level, which is currently governed by the spot price in China, has varied between USD 150-160 per tonne CFR China this year and is on the same level as in 2008. The increase in demand has eased off in China, although this is compensated for by growth in other areas. Growth will pick up again in 2011 and Macquaire Bank predicts a shortage of iron ore in 2011, with a balance situation not coming until after 2012. The bank also expects demand for iron ore to outstrip supply during the next five years.

Customers and trial deliveries

Dannemora signed an agreement for further trial deliveries to Arcelor-Mittal. The new agreement covers approx. 10,000 tonnes and means that Dannemora has in total agreed on deliveries of approx. 25,000 tonnes of iron ore products to Arcelor Mittal, which will include both products. Dannemora has already delivered iron ore products to the steel companies Voestalpine, Salzgitter, Rogesa, Thyssenkrupp and SSAB. A fifth steel company ThyssenKrupp received its trial delivery during the period, and both Salzgitter and SSAB conducted their full-scale testing during the quarter. Voestalpine had already completed its blast furnace testing. All the test results corresponded with the customers' expectations. Negotiations regarding regular supply contracts have been initiated on the basis of the steel companies' evaluation of their full-scale testing.

Schedule

On the basis of a few of Dannemora Mineral's potential customers conducting their testing late in the fourth quarter of 2010, it is expected that some customer agreements can be signed in the first quarter of 2011. The loans are expected to be conditional on customer agreements being signed and are expected to be available in the first quarter of 2011. Operations can then begin 12 months later. This means the previously communicated schedule is delayed by one financial quarter.

Profitability

In terms of profitability of the Dannemora iron ore project, the assessment is still that the project rests on a solid financial base and is expected to give an attractive return on invested capital. Increasing demand for iron ore and expectations that demand will outstrip supply in the next few years offsets the recent weakening of the US dollar.

Loan financing

Active efforts to arrange loan financing began in the second quarter and discussions are in progress with a number of European banks. The negotiations on the main terms and conditions began in parallel with the customer negotiations. The timing of the financing is dependent on when and under what conditions multi-year supply contracts can be concluded.

Plant & equipment investments

Rock work and processing

Production of products for trial deliveries continued throughout the period. Bergteamet AB has been engaged as the contractor for sub-level caving, loading and transportation of the crude ore from the mine. Up to the end of the third quarter, approx. 240,000 tonnes of crude ore have been produced from the mine. In the same period, the processing plant where crude ore is processed into finished products has produced approx. 60,000 tonnes, 51,000 of which have been delivered to customers.

After the end of the reporting period, an accident occurred during mining. One of our contractor's employees was hit by falling stones. Although the injuries required medical treatment, they are not considered serious. The

accident was reported, according to normal procedures, to the police authorities and the Work Environment Authority.

Ramp development

Placement of the main ramp down to the 350-metre level continues. To date, 265 metres of a total 1,367 metres have been completed.

Draining of the mine

The draining of the Dannemora mine was completed in February 2010 when the water level reached the planned 470-metre level. The project now continues with the building of a permanent water supply system. ITT/Bergteamet have been entrusted with implementation of the project, which involves the installation of new pumping stations at levels 350 m and 465 m and the installation of an industrial water system with drill water basins underground.

Railway renovation with Transport Administration

Renovation of the railway line between Örbyhus and Hargshamn began at the end of June. Dannemora Magnetit has, with the Swedish Transport Administration, contracted the Norwegian railway infrastructure company Norsk Baneservice A/S for this work. The renovation is scheduled for completion in December 2010 and will allow safe and environmentally-friendly ore transport from day one of the planned start-up of operations.

Norsk Baneservice A/S has also been contracted to install a new terminal at the Dannemora mine area and a connection to the main line. This work is expected to be completed at the halfway point of 2011.

Railway operator

The contract for all ore transport on the line between Dannemora and Hargshamn was put out to tender at the end of September and a decision will be made on the train operator before the end of the year.

Project organisation

The organisation for the investment project has been established and is being gradually staffed.

Recruitment

October saw the start of recruitment of seven key persons for the operation of Dannemora's plant – heads of operations for production and service, and environment/quality, shipping and controller function managers. They will all be actively involved in preparations leading up to the operational start-up.

Dannemora exploration

Dannemora exploitation concession

In the second quarter, Dannemora Magnetit AB began an underground diamond drilling programme focusing on the northern part of the Dannemora field. The drilling is mainly confined to the 145-metre level and is aimed at providing a more detailed picture of the Ströms, Botenhäll and Norrnäs ore, and increasing the ore base in the area. The operation is being concentrated on the northern part of the field in order to increase knowledge about the ores that are at the top of the mining plan. At the end of the third quarter, 19 drill holes had been completed, with a total length of 1,678 metres. The total planned drilling programme is approx. 4,500 drilling metres. The entire drilling programme is expected to be completed during January 2011.

OTHER ACTIVITIES

Riddarhyttan 1 and 3 exploration permits

Dannemora Magnetit AB has worked to verify some of the historical material relating to Riddarhyttan, and in doing so has been able to ascertain that this material is of a good standard and appears reliable. The compiled material has been evaluated in the third quarter of 2010 and the project is considered so good that Riddarhyttan remains the most interesting iron ore project next to the main project in Dannemora. Historical estimates indicate just over 12 million tonnes of measured and probable ore in Riddarhyttan 1 and 3. It is Dannemora's assessment that many of the measured mineralisations in the field continue to depth and that there is good potential for finding new ore bodies. The aim is to obtain an exploitation concession for Riddarhyttan.

Status regarding exploration permits and exploitation concessions

At the end of the third quarter, Dannemora had 26 granted exploration permits, with a total area of 15,437 ha, and one exploitation concession of 176.8 ha. During the period, two exploration permits expired; one was

allowed to lapse and one was extended. All the exploration permits and the exploitation concession for the Dannemora field are wholly owned by the Parent Company.

RISKS AND UNCERTAINTIES

Mining activity is associated with risk-taking. A more detailed description of risks and uncertainties can be found in the Company's 2009 annual report.

In the short term, the two most important prerequisites for resuming mining in the Dannemora iron ore mine are the signing of long-term supply contracts and, as a result of these contracts, obtaining the bank financing for necessary investments.

Negotiations are in progress with steel companies and banks, and before these have resulted in signed agreements, uncertainty remains as to whether they will be concluded.

FUTURE PROSPECTS

Based on the fact that some steel companies are conducting their blast furnace testing in the fourth quarter of 2010, it is expected that all the customer agreements and compete financing for the mining project in Dannemora will be in place during the first quarter of 2011 and that operations can begin 12 months later.

RESULTS AND FINANCIAL POSITION

GROUP

Net sales and earnings

Sales for the period January – September 2010 totalled SEK 28.0 (2.3) million. Iron ore trial deliveries accounted for SEK 25.7 (0.0) million of this figure, with the remaining SEK 2.3 (2.3) million attributable to rental income. Profit/loss after net financial items during the same period amounted to SEK -41.6 (-17.3) million.

Sales for the 3rd quarter, July – September 2010, totalled SEK 13.4 (0.7) million. Iron ore trial deliveries accounted for SEK 12.6 (0.0) million of this figure, with the remaining SEK 0.8 (0.7) million attributable to rental income. Profit/loss after net financial items during the same period amounted to SEK -12.7 (-5.7) million.

Liquidity and cash flow

Cash flow from operations in the period January – September 2010 was SEK -39.0 (-17.2) million. After investing activities of SEK -10.1 (-58.3) million and financing activities of SEK 245.9 (0.0) million, cash flow for the period was SEK 196.8 (-75.4) million. The Group's cash & cash equivalents ended the period on SEK 257.3 (70.9) million. Cash flow from financing activities is attributable to a new share issue completed during the reporting period. This is described in more detail in the section about the Parent Company.

Cash flow from operating activities in the 3rd quarter, July – September 2010, amounted to SEK -15.6 (-0.6) million. After investing activities of SEK -6.6 (-11.2) million and financing activities of SEK -1.1 (0.0) million, cash flow for the period was SEK -23.3 (-11.8) million.

The Group did not have any interest-bearing liabilities at 30/09/2010.

Investments

Investments in the period January – September 2010 amounted to SEK 20.8 (49.4) million. SEK 17.5 (45.7) million of these investments was attributable to work in progress and SEK 3.0 (2.9) million to exploration and evaluation.

Investments in the 3rd quarter, July – September 2010, amounted to SEK 13.1 (3.4) million. SEK 11.7 (2.7) million of these investments was attributable to work in progress and SEK 1.2 (0.7) million to exploration and evaluation.

Employees

The average number of employees in the period January – September 2010 was 14 (13). Three (3) of the employees were women. The average number of employees in the third quarter, July – September 2010, was 16 (13). Four (3) of the employees were women.

PARENT COMPANY

Sales for the period January – September 2010 amounted to SEK 3.2 (1.8) million and consisted largely of group-wide services. Profit/loss after net financial items during the same period amounted to SEK -6.6 (-6.3) million.

Sales in the 3rd quarter, July – September 2010, amounted to SEK 1.1 (0.6) million. Profit/loss after net financial items during the same period amounted to SEK -1.4 (-1.9) million.

The parent company's investments in the period January – September 2010 amounted to SEK 2.6 (2.4) million and comprised exploration-related investments. The Parent Company's investments for the 3rd quarter, July – September 2010, amounted to SEK 1.0 (0.6) million and comprised exploration-related investments.

During the reporting period, January – September 2010, the parent company Dannemora Mineral has implemented two private placements and one public offering aimed at the Norwegian general public. The new share issues have contributed capital of SEK 257.7 million before issue expenses.

After these share issues, the Company has 11,860,400 shares, divided into 1,200,000 class A shares and 10,660,400 class B shares. The new share issues have increased the Company's share capital by SEK 656,064 to SEK 1,897,664.

The Company's B share was also admitted to trading on the Oslo Stock Exchange (Oslo Axess) on 17 June

ACCOUNTING POLICIES

The Group

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods of computation are followed in the interim financial statements as in the most recent annual financial statements, apart from the cases described below.

Preparation of financial statements in accordance with IFRS requires management to make critical judgements, accounting estimates and assumptions which affect the Group's earnings, financial position and other disclosures.

A number of standards, amendments and interpretations of existing standards have come into effect for accounting periods commencing on or after 1 January 2010. Standards considered relevant to the Group are the revised IFRS 3 Business Combinations and the amended IAS 27 Consolidated and Separate Financial Statements. The revised and amended standards will only be applied prospectively.

Effects of the transition to IFRS

The 2009 annual financial statements were the first the Group had prepared in accordance with IFRS. Previously published information for the 2009 financial year, prepared in accordance with the Swedish Annual Accounts Act and the statements and general advice issued by the Swedish Accounting Standards Board, has been restated in accordance with IFRS.

Forthcoming financial information

- The Year-end report for the period January – December 2010 will be published on 18 February 2011.
- The Annual General Meeting will be held at 4 p.m. on 3 May 2011 at Stora salen, Jernkontoret, Kungsträdgårdsgatan 10, Stockholm.

Dannemora, 27 October 2010

Board of Directors of Dannemora Mineral AB (publ) reg. no. 55 66 78 – 33 29

Nils Bernhard, Chairman
Nils Sandstedt, Deputy Chairman
Lennart Falk
Christer Lindberg
Lars-Göran Ohlsson
Niklas Nordström

The geological data in the exploration section of this interim report has been approved by Peter Svensson (Dannemora Magnetit AB's Prospecting & Planning Manager) who is a registered qualified person (QP) and MAIG (Member of Australian Institute of Geoscientists). The data has also been approved by Lennart Falk and Lars-Göran Ohlsson (Board Members of Dannemora Mineral AB) who are registered by SveMin (Swedish Association of Mines, Mineral and Metal Producers) as Qualified Persons (QP). Lennart Falk is one of the principal shareholders of the Company.

For further information, please contact:

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Review report

We have reviewed the year-end report for Dannemora Mineral AB (publ) for the period 1 January to 30 September 2010. The Board of Directors and CEO are responsible for the preparation and presentation of this interim financial report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim financial report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, conclusions based on a review do not have the level of assurance of conclusions based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report report has not been prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group and the Swedish Annual Accounts Act for the Parent Company.

Gävle, 27 October 2010

Öhrlings PricewaterhouseCoopers AB

*Annika Wedin
Authorised Public Accountant
Chief Auditor*

Group

STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousands	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Full year 2009
Operating revenue	13,367	725	28,000	2,337	5,957
Other external costs	-23,681	-4,219	-61,355	-12,699	-19,650
Personnel expenses	-2,827	-2,063	-8,549	-7,131	-9,874
Depreciation, amortisation and impairment of assets	-144	-152	-995	-422	-498
Operating profit/loss	-13,285	-5,709	-42,899	-17,915	-24,065
Finance income	602	35	1,295	651	689
Finance costs	-6	-15	-21	-32	-37
Net financial items	596	20	1,274	619	652
Profit/loss after financial items	-12,689	-5,689	-41,625	-17,296	-23,413
Income tax	-	-	-	-	-
Profit/loss for the period	-12,689	-5,689	-41,625	-17,296	-23,413
Other comprehensive income for the period, net after tax	-	-	-	-	-
Total comprehensive income for the period	-12,689	-5,689	-41,625	-17,296	-23,413
Comprehensive income for the period attributable to:					
Owners of the parent	-12,689	-5,689	-41,625	-17,296	-23,413
Earnings per share, based on profit/loss attributable to owners of the parent during the period					
Earnings per share before full dilution, SEK	-1.07	-0.73	-4.04	-2.23	-3.02
Earnings per share after full dilution, SEK	-1.05	-0.72	-3.96	-2.18	-2.95

STATEMENT OF FINANCIAL POSITION

Amounts in SEK thousands	30/09/2010	30/09/2009	31/12/2009
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Capitalised expenditure on exploration and evaluation assets	36,644	33,512	34,073
	36,644	33,512	34,073
<i>Property, plant & equipment</i>			
Land and buildings	15,647	15,818	15,831
Equipment, tools and fixtures & fittings	694	425	687
Work in progress	106,333	85,953	88,870
	122,674	102,196	105,388
<i>Financial assets</i>			
	2,120	2,120	2,131
	2,120	2,120	2,131
Total non-current assets	161,438	137,828	141,592
Current assets			
Trade receivables	2,729	51	79
Other receivables	6,781	1,723	1,393
Prepayments and accrued income	1,564	951	258
Cash & cash equivalents	257,287	70,859	62,641
Total current assets	268,361	73,584	64,371
TOTAL ASSETS	429,799	211,412	205,963
EQUITY AND LIABILITIES			
Equity	389,233	191,062	184,945
Non-current liabilities	13,242	13,000	13,242
Current liabilities			
Trade payables	19,291	2,994	3,470
Other liabilities	444	609	845
Accruals and deferred income	7,589	3,747	3,461
Total current liabilities	27,324	7,350	7,776
TOTAL EQUITY AND LIABILITIES	429,799	211,412	205,963

STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousands	Attributable to owners of Parent			
	Share capital	Other paid-in capital	Retained earnings	Total equity
Opening balance 1 January 2009	1,242	242,715	-35,599	208,358
Total comprehensive income for the period			-17,296	-17,296
30 September 2009	1,242	242,715	-52,895	191,062
Opening balance 1 January 2010	1,242	242,715	-59,012	184,945
Total comprehensive income for the period			-41,625	-41,625
New share issue	656	257,087		257,743
Issue expenses		-11,830		-11,830
30 September 2010	1,898	487,972	-100,637	389,233

CASH FLOW STATEMENTS

Amounts in SEK thousands	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Full year 2009
Operating activities					
Cash flow before changes in working capital	-13,148	-5,572	-41,925	-17,525	-22,936
Changes in working capital	-2,486	4,956	2,964	350	-7,796
Cash flow from operating activities	-15,634	-616	-38,961	-17,175	-30,732
Investments in intangible assets	-1,217	-664	-2,747	-3,267	-3,720
Investments in property, plant & equipment	-5,376	-10,505	-9,569	-55,313	-49,509
Change in non-current receivables	-	-	2,203	307	295
Cash flow from investing activities	-6,593	-11,169	-10,113	-58,273	-52,934
New share issue	-1,118	-	245,913	-	-
Cash flow from financing activities	-1,118	-	245,913	-	-
Cash flow for the period	-23,345	-11,785	196,839	-75,448	-83,666
Cash & cash equivalents at beginning of period	280,632	80,451	60,448	144,114	144,114
Cash & cash equivalents at end of period	257,287	68,666	257,287	68,666	60,448

KEY FIGURES

	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Full year 2009
Profit/loss after financial items, SEK thousands	-12,689	-5,689	-41,625	-17,296	-23,413
Return on total assets, %	-2.9	-2.6	-9.7	-7.6	-10.5
Return on equity, %	-3.2	-2.9	-10.7	-8.7	-11.9
Equity, SEK thousands	389,233	191,062	389,233	191,062	184,945
Equity/assets ratio, %	90.6	90.4	90.6	90.4	89.8
Gross investments in non-current assets, SEK thousands	13,069	3,397	20,818	49,409	53,229
Earnings per share before full dilution, SEK	-1.07	-0.73	-4.04	-2.23	-3.02
Earnings per share after full dilution, SEK	-1.05	-0.72	-3.96	-2.18	-2.95
Outstanding shares on reporting date before full dilution	11,860,400	7,760,000	11,860,400	7,760,000	7,760,000
Outstanding shares on reporting date after full dilution	12,049,400	7,949,000	12,049,400	7,949,000	7,949,000
Average no. of shares before full dilution	11,860,400	7,760,000	10,315,612	7,760,000	7,760,000

Average no. of shares after full dilution 12,049,400 7,949,000 10,504,612 7,949,000 7,949,000

Parent

INCOME STATEMENT

Amounts in SEK thousands	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Full year 2009
Operating revenue	1,107	597	3,231	1,791	2,388
Other external costs	-1,747	-1,512	-6,372	-5,421	-7,294
Personnel expenses	-1,323	-959	-4,112	-3,196	-4,371
Depreciation, amortisation and impairment of assets	-23	-30	-669	-76	-129
Operating profit/loss	-1,986	-1,904	-7,922	-6,902	-9,406
Other interest and similar income	630	34	1,295	625	1,053
Interest and similar expense	0	-	0	-4	-5
Net financial items	630	34	1,295	621	1,048
Profit/loss after financial items	-1,356	-1,870	-6,627	-6,281	-8,358
Tax on profit/loss for the year	-	-	-	-	-
Profit/loss for the period	-1,356	-1,870	-6,627	-6,281	-8,358

BALANCE SHEET

Amounts in SEK thousands	30/09/2010	30/09/2009	31/12/2009
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Capitalised expenditure on exploration and evaluation assets	17,017	14,579	15,138
<i>Property, plant & equipment</i>	222	165	144
<i>Financial assets</i>			
Shares in Group companies	300	300	300
Other non-current receivables	120	120	131
	420	420	431
Total non-current assets	17,659	15,164	15,713
Current assets			
Current receivables	157,306	121,921	115,573
Cash and bank balances	251,355	66,980	55,982
Total current assets	408,661	188,901	171,555
TOTAL ASSETS	426,320	204,065	187,268

EQUITY AND LIABILITIES

Equity			
<i>Restricted equity</i>			
Share capital	1,898	1,242	1,242
Statutory reserve	1,078	1,078	1,078
Total restricted equity	2,976	2,320	2,320
Unrestricted equity	421,290	199,791	182,661
Total equity	424,266	202,111	184,981
Current liabilities	2,054	1,954	2,287
TOTAL EQUITY AND LIABILITIES	426,320	204,065	187,268

Dannemora Mineral AB is a mining and exploration company. The Company's primary goal is to recommence mining operations in the Dannemora iron ore mine. The Company also engages in exploration activities to increase the iron ore base locally and regionally, and to explore base and precious metals in several areas in Uppland where the potential for finding mineable deposits is considered good.

Dannemora Mineral comprises the parent company Dannemora Mineral AB and the wholly-owned subsidiaries Dannemora Magnetit AB, which is responsible for operation of the Dannemora mine and the Group's exploration activities, and Dannemora Förvaltnings AB, which is responsible for the property portfolio.

The Company's most important asset is the iron ore deposit at Dannemora, and activities will initially focus mainly on the planned mining of this deposit.

The Company's Certified Adviser on First North is Remium AB.