

# 2012







### The King reopens the Dannemora mine

On 13 June 2012, the Dannemora mine was reopened by King Carl XVI Gustaf. The opening ceremony took place in front of the old Storrymningen open cast.

Almost 1,000 people attended the inauguration. The guests included customers, representatives of the municipality and region, as well as government agencies and suppliers. Many of the residents honoured the opening ceremony with their presence.

A buffet lunch was served after the ceremony.

After the ceremony, the King also took the opportunity of a visit down the mine.

DANNEMORA  
ÅTER-  
INVIGNINGEN  
FÖRRÄTTAS AV  
H.M. KONUNG  
CARL XVI GUSTAF  
13 JUNI 2012  
JÄRNMALMSGRUVA

## CONTENTS

Quick facts	5
The Year	6
Dannemora in two minutes	8
CEO's report	10
The Dannemora share	12
Ownership	14
Five-year overview	15
Chairman's statement	16
Key figures	17
Risk analysis	18
Board, management and auditor	20
<b>OPERATIONS</b>	
Dannemora's timeline	22
Production	24
Modern mining	26
Iron processing with a modern touch	30
What happens in and around the mine	32
Geology	34
Mineral reserve	35
Exploration	36
Dannemora in the community	37
The ore's journey	38
Our customers and our market	40
World market	44
Sustainable development - A responsible company	46
Sustainable development - Human capital and values	48
<b>OTHER ACTIVITIES</b>	
Property management	47
<b>ANNUAL REPORT</b>	50
Board of Directors' Report	52
Financial statements	58
Notes	68
Board signatures	79
Audit report	80
History	81
Glossary	82
Addresses	85

## 2013 ANNUAL GENERAL MEETING AND INTERIM REPORTS

The Annual General Meeting of Dannemora Mineral will be held at 4.30 p.m. on 30 May 2013 at Stora Salen, Jernkontoret, Kungsträdgårdsgatan 10, Stockholm.

The interim report for the period January – March 2013 will be published on Monday 29 April 2013.

The interim report for the period January – June 2013 will be published on Monday 26 August 2013.

The interim report for the period January – September 2013 will be published on Monday 28 October 2013.





**939,000 tonnes**

MINED CRUDE ORE



**233,000 tonnes**

SHIPPED TO CUSTOMERS



**78**

EMPLOYEES AT THE END OF 2012



**28**

NEW EMPLOYEES



**30**

PERCENT WOMEN



**137.3 million SEK**

SALES

# Q1

# Q2

Private placement

SEK **103.5** million

■ Dannemora Mineral completed a rights issue of USD 103.5 million.

**35.1** MILLION tonnes

■ An update of the Company's mineral reserve reported 35.1 million tonnes of probable mineral reserves grading 35.3 percent iron, which is an increase of 6.9 million tonnes.

AGREEMENT WITH PORT



■ Dannemora Mineral signed a ten-year terminal services agreement with Hargs Hamn AB, which means that the entire logistics chain from mine to ship loading is covered.

14 NEW RAIL CARS



■ The first 14 rail cars were delivered at the beginning of the year and taken into use in week 6.

NEW RAMP CONNECTION TO SURFACE



■ A new surface ramp met the existing main level at 350 metres on 20 March. All crude ore is transported to the surface via the new ramp, which is 1,800 m long.

Start-up 2 April



■ The new sorting plant was taken into operational on 2 April. This marked the start of the Company's commercial operation.

THE FIRST ORE SHIP

left Hargshamn on 28 June, with 18,000 tonnes of iron ore for Salzgitter Flachstahl in Germany.



King Carl XVI Gustaf

officiated at the official opening of the Dannemora iron ore mine on 13 June.

One day shift from April

Two shifts from June

# Q3



**AGREEMENT** with ArcelorMittal for the supply of 26,000 tonnes of iron ore products as the first stage of a longer partnership.

**FRAMEWORK AGREEMENT** signed with ROGESA Roheisengesellschaft Saar mbH.



**Pär Göting**  
New Managing Director of  
Dannemora Magnetit

■ On 1 September, Pär Göting was appointed MD of Dannemora Magnetit AB, succeeding Kjell Klippmark. He now heads Dannemora's production and processing.

**136**  
MILLION

**PRIVATE PLACEMENT OF CONVERTIBLE BONDS** adopted in November, bringing the Company SEK 136 million.

**Three shifts**  
from August

## EVENTS AFTER THE FINANCIAL YEAR

**Five shifts** from February

The sorting plant can now operate 24/7.

■ On 15 February, the Board decided to implement a rights issue of SEK 211 million.

# Q4



■ Hargs Hamn AB was granted an environmental permit to deepen the shipping channel into the port allowing vessels of up to 40,000 tonnes to be loaded at the port.

■ **AGREEMENT** with SSI UK (Sahaviriya Steel Industries) via Stemcor for the supply of 15,000 tonnes of iron ore as the first stage of a longer partnership.

**NEW CEO**  
**Ralf Nordén**

On 13 December, Ralf Nordén was appointed President and CEO of Dannemora Mineral AB.



Fines

Lump ore

■ In 2012, 233,000 tonnes of iron ore products were delivered to the Company's customers in northern Europe – 70,000 tonnes of fines and 163,000 tonnes of lump ore.

**Four shifts**  
from November

■ An update of Dannemora's mineral reserve as at 25 February shows a total reserve of 34.0 million tonnes with an average grade of 34.5 percent Fe.

■ In February, the logistics system was fully in place for delivery of the planned 1.5 Mt of iron ore.

## Vision for the future

**Dannemora Mineral's vision is to make Dannemora the centre of more extensive mining in Bergslagen and northern Sweden, with the stated objective of developing several mining projects.**

Top priority is given to production in the Dannemora mine and the surrounding area. The next step is to develop other deposits and next on the agenda is Riddarhyttan.

The Company runs a development programme with the working title DMAB 5.0, which is aimed at planning for the Company's future development and creating a sustainable mining company, able to conduct profitable operations for many years to come. DMAB 5.0 illustrates the vision of ultimately reaching an annual production of at least 5 million tonnes of iron ore products.

## VISION

Dannemora Mineral's vision is to maximise shareholder value by becoming an established and valued supplier of iron ore to a large number of European steel companies within the next five years.

## OPERATIONAL GOALS

The Company's goals are to streamline operations in the Dannemora mine, to reach full production capacity at the sorting plant and to progressively increase the ore reserves in the Dannemora field through continuing exploration. It is also Dannemora's goal, by engaging in active exploration in Sweden and participating in a structural transformation of the Swedish iron ore industry, to develop a structure of a size that makes it economically sustainable.

The operational goals can be summarised as follows:

- to achieve an annual production of 1.5 million tonnes of finished products at the sorting plant by 2015
- to substantially increase iron ore reserves by means of exploration in the Dannemora mine and its vicinity
- to locate and develop known or new iron ore deposits in other parts of Sweden
- to become a medium-sized iron ore producer with an annual production of 5 million tonnes

## STRATEGY

The key elements of Dannemora's strategy for achieving its defined goals are as follows:

### Organisation and personnel

Dannemora has established a well adapted and effective organisation which will be developed in line with growth of the Company's operations. Experienced and highly qualified personnel are vital to the Company's success. With this in mind, the Board and management work actively to ensure the Company stands out as an attractive and stimulating workplace.

### Market

Finding a market for iron ore products requires supply contracts with specific customers. Dannemora was quick to establish long-term relationships with a number of leading European steelworks and has also signed multi-year supply contracts. Consequent to the Company's prospecting activities, the market for other metals will also be monitored and regularly assessed.

## Development

Dannemora will be established as a central platform for future mining activity in eastern Bergslagen.

## Permits

Official permits and other legal regulations are critical components of the Company's activities. The Company constantly endeavours to minimise time and cost risks with regard to permits and trials, and to ensure its operations are characterised by open and constructive cooperation with the relevant authorities.

## Environment

The exploration and mining industry is regulated by extensive and mission-critical environmental legislation. Accordingly, Dannemora Mineral has organised its activities in such a way as to ensure that they always comply with and sometimes exceed the minimum requirements of current regulations.

## Organisation

Dannemora Magnetit AB is responsible for operations at the Dannemora iron ore mine. Dannemora Magnetit AB's exploration activities are primarily aimed at increasing the iron ore reserves in the Dannemora field, as well as developing several new projects to identify mineable deposits. Although the focus is on iron ore, the exploration activities also include a large number of base and precious metal projects.

Dannemora Förvaltnings AB is responsible for the Company's property portfolio. In February 2008, as part of the reopening of the Dannemora iron ore mine, the subsidiary Dannemora Förvaltnings AB acquired the land and installations that the Company needed in order to make the mine operational again. The acquisition also included a number of residential properties situated immediately south of the industrial area around the mine head frame.

Until January 2009, Dannemora's exploration activities were conducted through the wholly owned subsidiary Dannemora Prospektering AB. The company has been dormant, but in February 2013 the Board decided to activate the company, changing its name to Dannemora Iron Ore Development AB and moving the exploration permits to this company.



“ Our focus is on achieving full production and supplying the iron ore ordered by customers.

# Dannemora Mineral writes history

**2012 was a historic year for Dannemora Mineral. The business was opened at an inauguration ceremony performed by King Carl XVI Gustaf, after which production started in earnest, with deliveries to our customers.**

It has been my privilege to take over the reins of a young and growing company, which in 2012 has moved from planning to production operations. This has involved large-scale efforts before the start of production and is testament to the exceptional quality of the preparatory work and high level of expertise in the organisation.

As the new CEO of the Company, I look forward to the coming year. It is tremendously exciting to work in a company with as much potential as Dannemora Mineral. Because I want to be close to the operations, I will be based in Dannemora. I have had a fantastic reception in the organisation and it has been wonderful to encounter such enthusiasm among the employees.

## Major recruitment effort

Over the past year, there has been a massive recruitment drive, with many of the employees having been recruited from the local area. The recruitment was conducted very efficiently and there is an open atmosphere and strong commitment among the employees.

## Good demand

There is strong demand for Dannemora Mineral's products and we have very good relations with our customers. We have a unique product programme and a cost-effective product that appeals to our market in northern Europe.

As a small player we are relatively non-cyclical, and all the evidence suggests that we shall have a good market for our products in the foreseeable future.

## A year of learning

We have learned a great deal over the past year – about the actual iron ore, and about mining in the mine and production at the sorting plant. Mining has reached the planned capacity, with 939,000 tonnes of crude ore having been mined. The sorting plant opened on schedule on 2 April and shipments were made to five steelworks in northern Europe during the year. The entire supply chain has been tested and has shown resilience all the way to the customer.

The sorting plant had some teething problems in 2012. An action programme has been initiated to address the problems and increase the finished iron ore product yield.

## Improvements required in 2013

2013 will be a year of tough challenges – not only in terms of increasing the yield at the sorting plant, but also fine-tuning the rest of the organisation. The rights issue in spring 2013 will provide capital for the investments needed to improve the finished product yield at the sorting plant.

Intensive efforts are being made to increase knowledge about the mine's mineralisation and the processes in the plant. The goal is to find optimal processes in order to increase the yield. The first phase of these initiatives – an investment of approx. SEK 30 million – will be in place in the second quarter of 2013.

## Trimming costs

Another important task in 2013 is to reduce the cost level. We shall also be reviewing the agreements with our contractors and consultants and possibly selecting alternative forms of cooperation.

## Clear line organisation

I am convinced that everyone working at Dannemora Mineral wants the best for the Company. And it is my ambition to run the Company according to a line organisation with clear obligations and rights. We shall have clear roles and priorities, with great respect for the individual. By creating structure, we also create a sense of security in the organisation.

## Focus on safety

It is gratifying that, despite Dannemora being a young company, we have very few accidents – only 2.6 incidents per million hours worked, which is very commendable and the result of effective and consistent safety work. There was only one lost-time accident in 2012. Even so, our zero tolerance in the area of safety means that this is one accident too many.

## Local engagement

Local engagement is also evident, with great understanding that the operations entail certain inconveniences. As a result of good dialogue with the residents and preventive measures to reduce noise and minimise dust, we have not received any serious complaints to date.

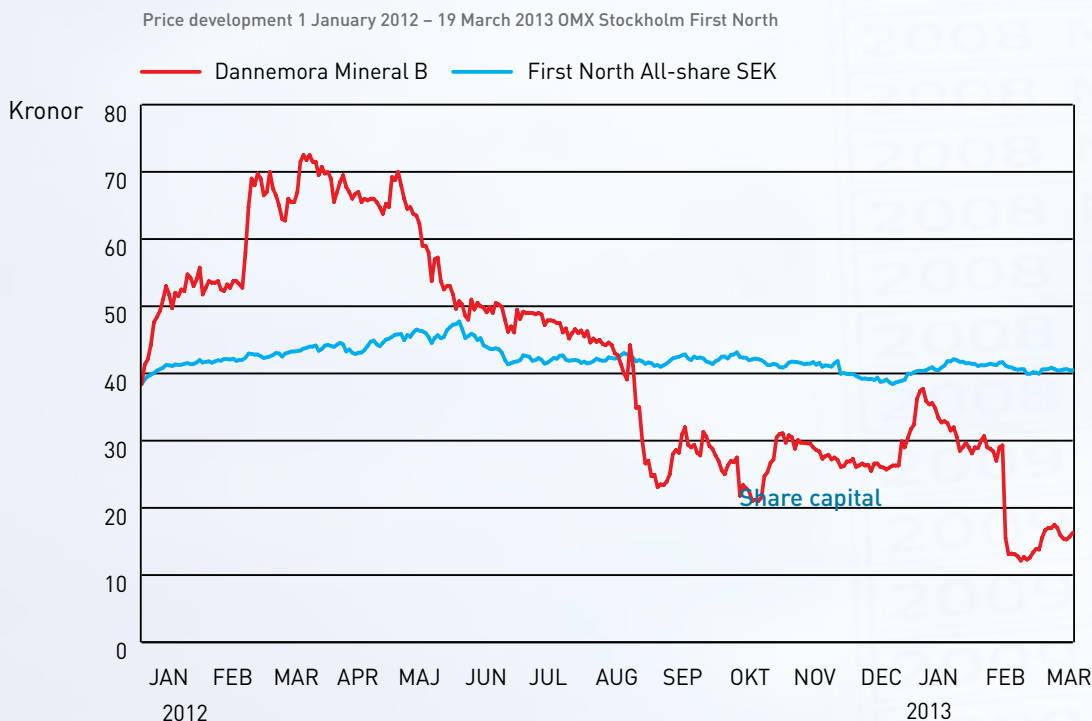
Critical challenges await the Company in 2013. The planned investments must be implemented in order to ensure an increased yield and safer operations at the sorting plant. The entire organisation must focus on efficiency and cost savings to enable the operations to achieve a positive result. However, with good ore prices and strong demand from customers, I see a bright future for the Company.

Dannemora, April 2013



Ralf Nordén  
President and CEO

# Price development



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## OMX Stockholm First North

Dannemora Mineral AB's class B shares have been listed on First North since 25 May 2007.

At 28 December 2012, the share was quoted at SEK 29, which was a decline of 24.4 percent since the beginning of the year. In the same period, the First North All-Share index rose by 5.1 percent, while the OMX Stockholm PI index increased by 12.0 percent. The highest closing price in 2012 was SEK 72.50 (13 April) and the lowest was SEK 21.00 (16 October).

11.4 (10.6) million shares were traded in 2012. This corresponds to a turnover rate of 75 (87) percent based on the average number of class B shares during the year. The total value of shares traded was SEK 461.6 million, compared with SEK 670.4 million the previous year.

## Price development Oslo Axess

Dannemora Mineral's class B shares have been listed on Oslo Axess since 17 June 2010.

Turnover on Oslo Axess is low and only a small number of transactions were conducted in 2012. The low turnover is explained by the low number of shares registered in the Norwegian Central Securities Depository system (VPS). At the beginning of 2012, the number of registered shares was 352,860, while at the end of the year, the number was just 232,164.

## Share capital

Dannemora Mineral's total share capital at 31 December 2012 was SEK 2,457,664, divided into 1,200,000 class A shares and 14,160,400 class B shares. Each share has a par value of SEK 0.16. Class A shares carry 10 votes per share, while B shares carry one vote per share. All shares carry equal entitlement to a share of the company's assets and earnings.

The Company's share capital must not be less than SEK 1,600,000 and must not exceed SEK 6,400,000. This corresponds to a minimum of 10,000,000 and a maximum of 40,000,000 shares.

## Share capital development April 2013

Year	Transaction	Increase in share capital, SEK	Total share share capital, SEK	Increase in number of shares, SEK	Total number of shares	Share Issue price, SEK
Mar -05	Incorporation	100 000	100 000	-	100 000	1.00
Jan -06	New share issue	22 000	122 000	22 000	122 000	50.00
Jun -06	New share issue	41 000	163 000	41 000	163 000	369.00
Mar -07	Bonus issue	358 600	521 600	-	163 000	-
Mar -07	Share split 20:1	-	521 600	3 097 000	3 260 000	-
May -07	New share issue	224 000	745 600	1 400 000	4 660 000	61.00
Jun -08	New share issue	496 000	1 241 600	3 100 000	7 760 000	50.00
Mar -10	New share issue	440 000	1 681 600	2 750 000	10 510 000	60.00
April -10	New share issue	200 000	1 881 600	1 250 000	11 760 000	69.50
Jun -10	New share issue	16 064	1 897 664	100 400	11 860 400	63.06
Mar -11	New share issue	320 000	2 217 664	2 000 000	13 860 400	75.00
Mar -12	New share issue	240 000	2 457 664	1 500 000	15 360 400	69.00
April -13	New share issue	3 072 080	5 529 744	19 200 500	34 560 900	11.00

## New share issue April 2013

The Extraordinary General Meeting on 13 March 2013 adopted a new issue of B shares, with preferential rights for existing shareholders to subscribe for new B shares in relation to the number of shares (both A and B shares) they hold on the record date. One (1) subscription right will be allotted for each A or B share. Four (4) subscription rights entitle the holder to subscribe for five (5) new B shares at a subscription price of SEK 11.00 per B share. The rights issue has increased the Company's share capital by SEK 3,072,080 and the number of shares by 19,200,500 B shares.

## Incentive schemes

In January 2012, the subscription period for the 2008 incentive scheme for key personnel in the Group ended, with no shares having been subscribed for.

## Analyses

Swedbank First Securities regularly publishes analyses of Dannemora Mineral.

## Convertible bonds

A private placement of convertible bonds was conducted in November 2012. The issue targeted a small number of investors. In total, 3.4 million convertible bonds were subscribed for, each with a nominal value of SEK 40.00. The convertible bonds expire on 30 November 2015 and carry an annual interest rate of 11.75 percent. The conversion price is SEK 40.00. Upon full conversion, Dannemora will issue 3,400,000 class B shares. The newly issued shares will increase share capital by SEK 544,000 and represent 18.1 percent of the capital and 11.5 percent of the votes based on the number of shares outstanding before implementation of the share issue below.

## Shareholdings at 31 December 2012

Year	Holding		Share of capital	Share of votes
	A shares	B shares		
Lennart Falk, directly and via companies and family	600,000	258,750	5.6%	23.9%
Nils Bernhard, directly and via family	600,000	218,000	5.3%	23.8%
Pohjola Bank Plc Client A/C	-	1,558,090	10.1%	6.0%
Försäkringsaktiebolaget Avanza Pension	-	1,234,937	8.0%	4.7%
JP Morgan Bank	-	900,850	5.9%	3.4%
Per-Uno Sandberg	-	550,000	3.6%	2.1%
Nordnet Pensionsförsäkring AB	-	460,009	3.0%	1.8%
Mikaros AB	-	400,000	2.6%	1.5%
APS Capital AB	-	363,700	2.4%	1.4%
Shaps Capital AB	-	358,300	2.3%	1.4%
First Securities ASA	-	232,700	1.5%	0.9%
Nils Sandstedt	-	152,000	1.0%	0.6%
Länsförsäkringar småbolagsfond	-	150,508	1.0%	0.6%
Robur Försäkring	-	136,524	0.9%	0.5%
Arvarius AS	-	133,500	0.9%	0.5%
Mikaros Invest AB	-	129,244	0.8%	0.5%
Susanna Wiman	-	125,000	0.8%	0.5%
Kristian Wiman	-	120,000	0.8%	0.5%
Seb life Ireland assurance	-	115,500	0.8%	0.4%
Ancoria Insurance Public Ltd	-	101,677	0.7%	0.4%
Other	-	6,461,111	42.1%	24.7%
<b>Total shares</b>	<b>1,200,000</b>	<b>14,160,400</b>	<b>100.0%</b>	<b>100.0%</b>

## Share distribution at 31 December 2012

Holding	No. of shareholders	% of all shareholders
1 - 500	3,777	69.4
501 - 1,000	780	14.3
1,001 - 5,000	694	12.7
5,001 - 10,000	95	1.7
10,001 - 15,000	18	0.3
15,001 - 20,000	16	0.3
20,001 -	65	1.2
<b>Total</b>	<b>5,445</b>	<b>100.0</b>

## Number of shareholders

The number of shareholders at 31 December 2012 was 4,700. The table below shows the ownership structure of Dannemora Mineral at 31 December 2012, based on an extract from Euroclear and VPS.

	01/01/2012- 31/12/2012	01/01/2011- 31/12/2011	01/01/2010- 31/12/2010	01/01/2009- 31/12/2009	01/01/2008- 31/12/2008
<b>Income statement (SEK thousands)</b>					
Net sales	137,293	3,131	44,863	5,957	2,866
Operating expenses	-365,603	-56,128	-96,801	-30,022	-30,128
Net financial items	-12,527	-65,163	999	652	4,564
Profit/loss after financial items	-240,837	-118,160	-50,939	-23,413	-22,698
Income taxes	-18	-16	-	-	-
<b>Profit/loss for the year</b>	<b>-240,855</b>	<b>-118,176</b>	<b>-50,939</b>	<b>-23,413</b>	<b>-22,698</b>
<b>Balance sheet (SEK thousands)</b>					
Intangible assets	42,238	42,322	38,166	34,073	30,602
Property, plant & equipment	1,124,734	625,639	146,428	105,388	56,129
Financial assets	2,324	2,123	2,121	2,131	2,619
Inventories	20,242	8,130	-	-	-
Current receivables	34,897	30,322	20,631	1,730	4,915
Cash & cash equivalents	152,049	628,836	212,134	62,641	146,114
<b>Total assets</b>	<b>1,376,484</b>	<b>1,337,372</b>	<b>419,480</b>	<b>205,963</b>	<b>240,379</b>
<b>Equity and liabilities</b>					
Equity	273,719	406,242	379,687	184,945	208,358
Non-current liabilities	941,929	800,039	13,000	13,242	13,000
Trade payables	89,242	69,833	17,909	3,470	12,440
Other current liabilities	71,594	61,258	8,884	4,306	6,581
<b>Total equity and liabilities</b>	<b>1,376,484</b>	<b>1,337,372</b>	<b>419,480</b>	<b>205,963</b>	<b>240,379</b>
<b>Cash flow statement (SEK thousands)</b>					
Cash flow from operating activities	-227,225	-22,901	-61,387	-30,732	-20,497
Cash flow from investing activities	-474,481	-430,261	-32,608	-52,934	-47,483
Cash flow from financing activities	230,625	859,739	245,681	-	148,388
<b>Total cash flow</b>	<b>-471,081</b>	<b>406,577</b>	<b>151,686</b>	<b>-83,666</b>	<b>80,408</b>

**"Efficiency in ore processing and logistics will radically improve profitability."**

Nils Bernhard,  
Chairman and founder of  
Dannemora Mineral

**I am very pleased to have been involved in resurrecting the closed-down iron ore mines in Dannemora. The entire project has progressed well thanks to a good team of employees, although it has taken longer and been more expensive than Lennart Falk and I imagined when we founded Dannemora in 2005. Two of the year's highlights were the start of production at the sorting plant in April and the reopening of the mines by the King in June 2012.**

#### **Additional investments produce results**

During the fine-tuning of the new sorting plant, it has become evident that the iron ore yield can be significantly increased by making adjustments to the present work and investing in an extra processing step. The extra processing step will deal with the iron that currently disappears with waste products. The ongoing action programme will gradually increase the yield and lay the foundation for good profitability.

#### **Logistics – from good to best**

Logistics represents one of the largest challenges in new iron ore projects and transportation costs account for a high proportion of the final cost to the customer. Dannemora has been able to respond to the issue of logistics in a very efficient way, thanks to its proximity to the port of Hargshamn where the ore is transported by rail. From there, it is a short distance by ship to our customers in northern Europe.

Increased shipping volumes and frequency of vessel traffic will enable vessel freight rates to be pushed down considerably. The planned deepening of the fairway will enable the passage of much larger ships than at present and should bring very large reductions in overall shipping costs in the long term.

#### **Shares in iron ore companies should be valued in the long term**

Demand for iron ore varies and is highly cyclical, as is the price of iron ore products. This affects the share price, which goes up and down in the short term. But in a longer time frame, demand for iron ore has increased steadily and there is nothing to indicate that this trend will be broken.

#### **Long-term increase in demand**

China and Asia have been largely responsible for the large increase in demand and everything points to a global increase in demand for iron ore in the future. Looking ten years ahead, we are likely to see countries in Southeast Asia, such as India and Indonesia, accounting for the largest percentage increase. Those countries alone are home to 1.5 billion people.

#### **Dannemora Mineral's future**

Steel and iron ore are global operations and European trends follow global developments. Europe currently imports almost 200 million tonnes of iron ore per year and the steelworks are positive to a situation of more local iron ore producers. This points to a bright future for Dannemora Mineral.

## Key figures and financial ratios

	01/01/2012- 31/12/2012	01/01/2011- 31/12/2011	01/01/2010- 31/12/2010	01/01/2009- 31/12/2009	01/01/2008- 31/12/2008
Profit/loss after financial items, SEK thousands	-240,837	-118,160	-50,939	-23,413	-22,698
Return on average total assets, %	-12.9	-3.8	-16.3	-10.5	-13.8
Return on average equity, %	-70.8	-30.1	-18.0	-11.9	-15.6
Equity, SEK thousands	273,719	406,210	379,687	184,945	208,358
Equity/assets ratio, %	19.9	30.4	90.5	89.8	86.7
Cash & cash equivalents, SEK thousands	152,049	628,836	212,134	62,641	146,114
Gross investments in intangible assets, SEK thousands	2,575	6,668	4,688	3,720	9,399
Gross investments in property, plant & equipment, SEK thousands	433,164	479,781	41,575	49,509	56,267
Gross investments financial assets, SEK thousands	1	2	-	-	2,504
Shares outstanding before full dilution on reporting date (thousands)	15,360.4	13,860.4	11,860.4	7,760.0	7,760.0
Shares outstanding after full dilution on reporting date (thousands)	18,760.4	14,049.4	12,049.4	7,949.0	8,009.0
Average no. of shares before full dilution	14,935.4	13,393.7	10,701.8	7,760.0	6,210.0
Average no. of shares after full dilution	15,387.2	13,582.7	10,890.8	7,949.0	6,377.3
Earnings per share before and after full dilution, SEK	-16.13	-8.82	-4.76	-3.02	-3.66
Equity per share, SEK	17.82	29.31	32.01	23.83	26.85
Share price, SEK	29.00	38.40	54.00	41.00	8.60
Average number of employees	63	20	14	13	14

## Definitions of key figures and financial ratios

Average number of employees:

Average number of shares before full dilution:

Average number of shares after full dilution:

Earnings per share before and after full dilution:

Equity:

Equity/assets ratio:

Equity per share:

Outstanding shares on balance sheet date before full dilution:

Outstanding shares on balance sheet date after full dilution:

Return on average equity:

Return on average total assets:

Share price:

Average number of employees during the year converted to full-time equivalents

Average number of shares during the financial year.

Average number of shares during the financial year adjusted by the number of shares that can be subscribed for under outstanding incentive schemes and convertible bonds.

Profit/loss after financial items divided by the average number of shares before full dilution. As the dilution improves earnings per share, EPS after dilution is the same as before dilution.

Equity at year-end.

Equity as a % of total assets.

Equity at year-end divided by outstanding shares before full dilution.

Number of shares at year-end.

Number of shares at year-end adjusted by the number of shares that can be subscribed for under outstanding incentive schemes and convertible bonds

Profit/loss after financial items as a % of average equity.

Profit/loss after financial items plus finance costs as a % of average total assets.

Share price at year-end.



## Significant risks and uncertainties

### OPERATIONAL RISKS

#### Iron ore prices and exchange rates

Developments in the world economy, particularly in global industrial production, affect iron ore demand and prices. Iron ore prices are quoted daily in different marketplaces and are always traded in U.S. dollars. Dannemora's revenues are essentially in dollars, but the reporting currency is the Swedish krona. Consequently, changes in iron ore prices and the dollar exchange rate have a significant impact on Dannemora's earnings trend. Dannemora does not hedge iron ore prices or U.S. dollars; instead, changes in market prices are reflected directly in earnings.

#### Customers

Dannemora Mineral's customers are primarily steel companies in Europe, which in turn sell to the global automotive, construction and electronics industries. Long-term contracts with industrial customers increase predictability in terms of sales and pricing conditions and sales stability. When selling to the majority of its customers, Dannemora obtains a price in line with the relevant market price, but with a lag of a few months. To increase sales stability, Dannemora focuses on long-term cooperation with financially sound customers and works to deepen customer relationships through flexibility, customised solutions and a high level of service.

#### Energy prices

Mining is energy-intensive. As production increases, energy will represent a major part of Dannemora's costs, which means that changes in energy prices may have a significant impact on the Company's profitability. Energy price development is difficult to predict in both the short and long term. In order to reduce the Company's energy needs, Dannemora is continuously working on

energy efficiency measures. When the new EU Emissions Trading Scheme for CO<sub>2</sub> enters into force in 2013, electricity prices are expected to rise.

#### Permits and licences

Mining activity is regulated by a number of provisions in mining and environmental legislation and requires the granting of permits by the authorities. Exploration permits, which confer the right to explore and conduct sampling of certain mineral deposits, are often given for specific periods and can be extended in certain circumstances. Dannemora is engaged in continuous open and constructive dialogue with the relevant authorities and works to minimise delays and costs.

#### Stoppages

Mining operations consist of a series of continuous processes, and unplanned stoppages can affect production and financial performance. The operations are also affected by periodic scheduled shutdowns for tuning and maintenance of equipment. If the planned maintenance does not progress according to schedule, this may have an adverse effect on Dannemora's business. The length of a stoppage may be affected by a number of factors beyond the Company's control.

#### Production costs

A variety of factors could cause the mine production and ore processing to be more expensive than the Company anticipated. The properties of the rock may make the costs of mining and processing the ore higher than expected. If the content and recovery differ from expectations, the processing and mineral dressing become more expensive.



### Estimates of mineral resources and mineral reserve

Estimates of mineral resources and the mineral reserve are based on factors such as diamond drilling results and modelling. The mineral reserve may change in the future due to changes in production costs, processes or product prices, which may mean that the future mineral reserve is lower than previously estimated.

### Exploration

Apart from the Dannemora mine, the Company has a number of additional permits for exploration of deposits. Exploration is a capital-intensive activity associated with high risk, particularly in relation to projects at an early stage. It is not a foregone conclusion that Dannemora will achieve commercialisation in most of the Company's project areas.

### Suppliers

Dannemora Mineral is largely dependent on suppliers and third parties for certain supplies, services, access to equipment, machinery and contracts. If delivery or completion of such services is delayed or impaired, Dannemora's operations are adversely affected.

### Environmental impacts

Dannemora handles natural resources and physical material flows. This results in environmental impacts, which take the form of emissions to air and pollution of water. Mining operations typically cause a major physical intervention in nature and landscape. The Dannemora mine conducts activities subject to permit requirements and is regulated by comprehensive legislation. In addition, Dannemora has its own environmental goals and policies.

### Working environment

All mining operations require a high level of safety. Serious accidents

leading to personal injury, handling of explosives and chemicals, prolonged exposure to dust and noise are examples of working environment problems that could result in an erosion of confidence in the Company, production standstills and payment of damages. Alongside its investments in equipment and machinery, Dannemora works on safety training with regard to attitudes, practices and behaviour.

### Skills supply

Dannemora's operations require specific expertise in mining and geology, which places high demands on the Company to be an attractive employer and ensure good planning in skills supply.

### Capital and liquidity risks

In the event of the current level of funding being insufficient, the Company may be unable to arrange additional financing or such financing may be available on unacceptable terms.

During the beginning of 2013, Dannemora raised additional capital in order to strengthen its working capital until sufficient cash flows are generated from the Company's production, make investments to strengthen production and reduce operating costs and build up liquidity reserves. The ongoing adjustments to the existing process and the addition of an extra processing step should increase the yield significantly, thereby enabling operations to achieve good profitability. However, until then, financial resources will be strained and, in view of the volatility of iron ore prices and exchange rates, further financing cannot be ruled out.

### Financial risks

Financial risks are described in Note 3 on page 71.



**NILS BERNHARD**

Founder and Chairman since the Company's establishment in 2005.

b. 1947  
M.Sc. (Eng), B.Sc. (Econ). Entrepreneur and private investor. Other directorships: Chairman of Headweb AB. Director of Pajeb Kvarts AB, Bioimics AB, Tobii Technology AB and Headweb Personal AB. CEO of Mångubben AB and Mångubben Musik AB.  
No. of shares: 600,000 class A shares (directly and through related parties) and 218,000 class B shares



**ROBERT EEK**

Elected to the Board in 2011

b. 1981  
B.Sc. (Econ) and LL.B. CEO of APS Capital AB. Other directorships: Chairman of APS Capital AB. Chairman of ST Bostäder AB. Director of S:t Olof Bil & Motor AB and Black Oak Holding AB.  
No. of shares: 443,700 class B shares (through companies)



**NILS SANDSTEDT**

Elected to the Board in 2006, Deputy Chairman since 2007

b. 1964  
B.Sc. (Econ). Corporate finance consultant and private investor. Elected to the Board in 2006. Other directorships: Director of Sandhamns Solhem AB, Skebo Konferens AB, KERBAB AB, Herräng i Norrtälje Fastighets AB and Kilimanjaro Gold AB and Deputy director of Edsbro Hyresfastigheter AB.  
No. of shares: 152,000 class B shares



**JARMO TONTERI**

Elected to the Board in 2012

b. 1952  
M.Sc. (Eng), B.Sc. (Econ). Deputy CEO Outokumpu Stainless AB. Other directorships: Director of FNSteel BV. Council member of Swedish Steel Producers' Association.  
No. of shares: 0



**CHRISTER LINDBERG**

Elected to the Board in 2006

b. 1948  
B.Sc. (Econ). Advisor to companies and investors. Other directorships: Chairman of Anordica AB and Scandinavian Energy Efficiency Co. SEEC AB. Director of S.E.G. Resistor AB, Barnmorskegruppen MAMA MIA AB, Noxon AB, LightLab Sweden AB and TYRLIN AB. Deputy director of Tyrlin Teknik AB. Chairman of investment committee at Stockholm Innovation & Growth Capital AB.  
No. of shares: 15,699 class B shares.



**STEFAN MÅNSSON**

Elected to the Board in 2011

b. 1951  
Mining Geologist and former production and mine manager and CEO of Statsgruvor AB, Zinkgruvan and Galmoy Mines Ltd. Elected to the Board in 2011. Other directorships: Director and CEO of smanson konsult AB. Director of Arctic Gold AB (Publ) and Arctic Gold Operations AB.  
No. of shares: 0



**LENNART FALK**

Founder and Board member since the Company's establishment in 2005.

b. 1941  
M.Sc Ph.D. and Geologist. Entrepreneur and private investor. CEO of Parent Company 2005-2006. Other directorships: Director of Slite Stenhuggeri AB and Pajeb Kvarts AB.  
No. of shares: 600,000 class A shares and 258,750 class B shares (directly and through related parties).

Information on holdings of shares and warrants is as of 31 December 2012.



NIKLAS KIHL

CFO, Dannemora Mineral AB

JAN VESTLUND

Marketing and Logistics Manager, Dannemora Mineral AB

RALF NORDÉN

Group President and CEO, Dannemora Mineral AB

YVONNE GILLE

HR and Communications Manager, Dannemora Mineral AB

PÅR GÖTING

MD, Dannemora Magnetit AB

b.1964  
B.Sc. (Econ).  
Appointed: 2007  
No. of shares:  
100 class B shares

b.1947  
M.A. (Political Science), B.Sc.  
Appointed: 2007  
No. of shares: 0

b.1958  
M.Sc. (Engl).  
Appointed: 2012  
No. of shares: 0

b.1950  
Journalist.  
Appointed: 2010  
No. of shares:  
200 class B shares.

b.1976  
Mining Engineer.  
Appointed: 2012  
No. of shares: 0

Öhrlings PricewaterhouseCoopers AB has been the Company's auditor since 2005. Chief Auditor Annika Wedin (b. 1961) is an authorised public accountant (1993) and a member of FAR.

# From concept to production start



17 March 2005  
**Nils Bernhard and Lennart Falk** establish Dannemora Mineral AB.

SSAB shuts down production at the Dannemora Mine.

January 2008  
A **Feasibility Study** confirms that the project has good economic viability.

April 2008  
The Company **takes over 400 hectares of land and properties** from municipally-owned company Dannemora Gruvfastigheter AB.

February 2009  
**Ramp placement and development work** begin in the Ströms ore body.

February 2009  
**Letter of intent** signed with three steelworks in northern Europe.

13 January 2009  
**Declaration of intent** signed with Rail Administration to renovate line to Hargshamn.

31 October 2009  
**Implementation agreement** with Rail Administration.

1992

2005

2006

2007

2008

2009

December 2006  
**Mining Inspectorate of Sweden** grants exploitation concession.

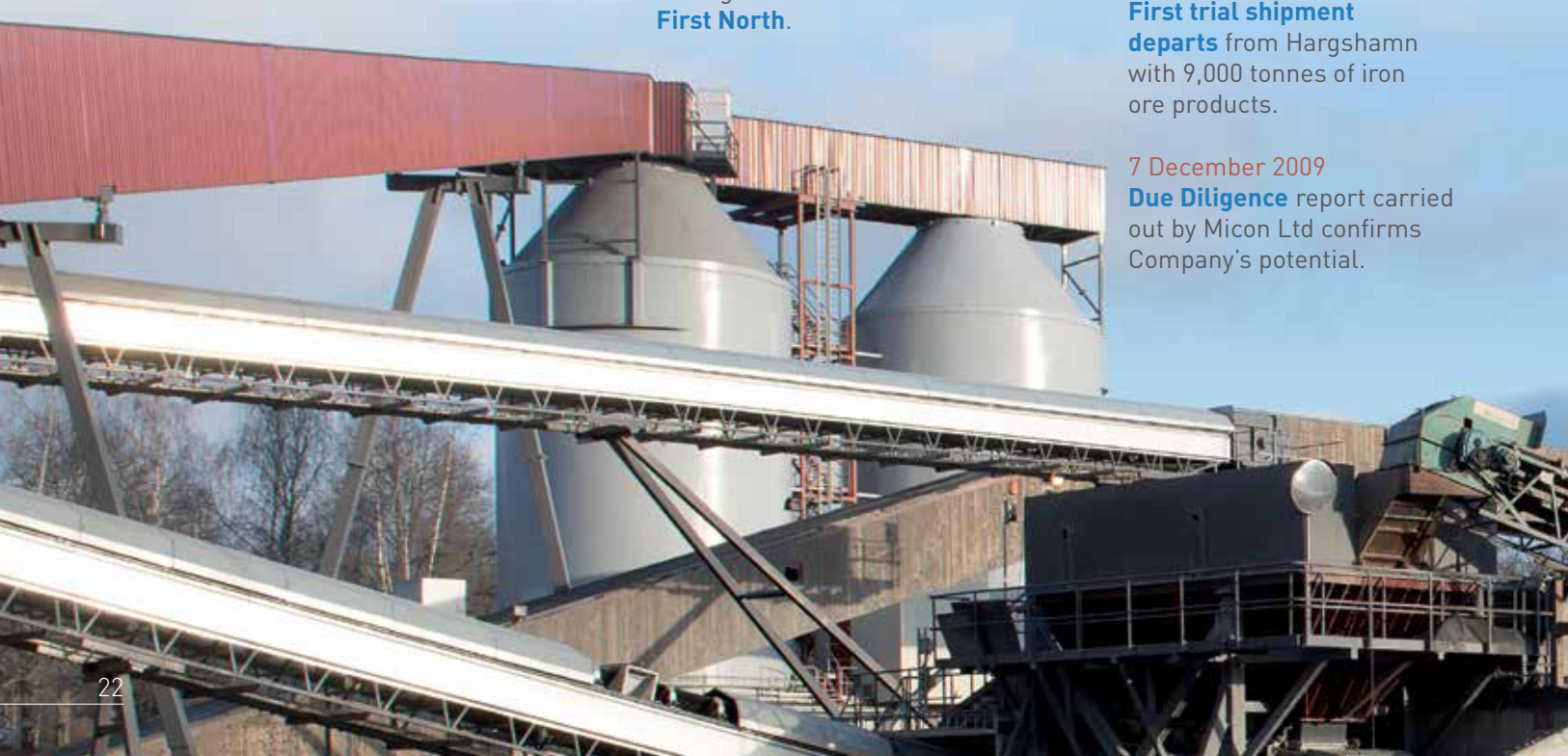
2007  
Listing on **First North**.

28 June 2008  
Environment Court approves the application for an **environmental permit** to conduct mining activities in Dannemora.

13 November 2009  
**First trial delivery agreement** is signed with Austrian steel company **Vöestalpine**.

30 November 2009  
**First trial shipment departs** from Hargshamn with 9,000 tonnes of iron ore products.

7 December 2009  
**Due Diligence** report carried out by Micon Ltd confirms Company's potential.



**February 2010**  
The mine is **drained down** to the 460 metre level.

**2010**  
**Full scale testing** of the Dannemora ore's properties at five European steelworks.

**January 2011**  
A seven-year contract is signed with Green Cargo for **rail transport of ore to Hargshamn**.

**2011**  
**Major investment programme** aimed at preparing the sorting plant and infrastructure for production start-up in April 2012.

**13 January 2012**  
**Notification to Mining Inspectorate** of start of mining.

**2 April 2012**  
**Operations at the new sorting plant** start on schedule.

**2012**  
**Ten-year agreement** for terminal services signed with Hargs Hamn AB.

2010

2011

2012

**17 June 2010**  
The Company's shares are listed on **Oslo Axess**.

**2010**  
Transport Administration **upgrades railway line** to Hargshamn.

**2011**  
**Five-year supply contracts** concluded with ThyssenKrupp, Salzgitter Flachstahl and Stencor.

**2011**  
**Five-year bond loan** of USD 120 million issued.

**2011**  
**Trial deliveries shipped to five** north European steelworks.

**2011**  
**Private placement of convertible bonds** brings the Company SEK 136 million.



**13 June 2012**  
King Carl XVI Gustaf **reopens the Dannemora iron ore mine**.

**28 June 2012**  
**The first commercial iron ore shipment** departs from Hargshamn on M/S TransOsprey for delivery to Salzgitter Flachstahl.

**Autumn 2012**  
**Framework agreement signed with ROGESA**.





■ In 2012  
we created  
an efficient  
production  
organisation at  
Dannemora.

Pär Göting,  
MD, Dannemora Magnetit AB

## We're now in full swing

■ ■ **Starting a business from scratch is very special. And it has been a race against time to get production at the sorting plant up and running as planned on 2 April.**

We recruited intensively in the early part of 2012 and made about 30 new appointments at Dannemora Magnetit during the year. We have purchased equipment and contract services to develop the mine. We began operating with four shifts in October and a fifth shift was recruited at the end of the year. The plant will be operated with five shifts from February 2013.

### "We have come to know the mine and the ore"

2012 has been spent getting to know our mine, alongside our work to develop very strong ramp connections to the surface in both the plant and the mine, which we started in April. Production at both plant and mine must go hand in hand.

We conduct continuous long-hole drilling into the ore bodies prior to mining and take geological samples every 25 metres. These are sent for analysis, giving us indications of the ore's dressing properties and enabling us to plan production at the sorting plant.

Mining began in Strömsmalmen, which is the most easily accessible of the ore bodies, and continued in Botenhäll and Norrnäs 3. During the course of the year, we accessed virtually all of the ore bodies. From summer, the main ore mining was in Kruthus and Konstäng.

All the fundamentals are now in place. We have a reliable product that is attractive and in demand, and a highly efficient logistics chain.

### "Focus on the port in 2013"

The focus in 2013 is to get full capacity for the port and dredging of the inlet is scheduled during the year, which will mean that the port can accommodate vessels of 40,000 tonnes. At present, only vessels of up to 20,000 tonnes call at the port. A homogenisation store is to be built at Hargshamn, as well as a dump pocket, which allows six rail cars to simultaneously empty their ore products.

# 5

shifts from  
February  
2013



The management of Dannemora Magnetit holds a planning meeting.



During one day, a total of about 28 people work in the mine.

# Modern mining

**The opening of the sorting plant marks the beginning of the Company's operations. Deliveries were shipped to five steelworks in northern Europe during the year. The Company reported net sales of SEK 137.3 million, and iron ore product sales accounted for SEK 134.2 million of the amount.**

In autumn, agreements were signed with three European steel companies, namely a framework agreement with ROGESA Roheisengesellschaft Saar mbH and long-term supply contracts with ArcelorMittal and SSI UK (Sahaviriya Steel Industries). The agreements complement the long-term contracts signed with Salzgitter Flachstahl, ThyssenKrupp and Stemcor in 2011.

## High level of expertise in the organisation

Dannemora Magnetit AB is responsible for operations in and around Dannemora and for exploration activities. The Managing Director of Dannemora Magnetit is Pär Göting, who has been at the helm since September 2012 when he succeeded Kjell Klippmark.



Pär Göting is supported by a mine manager, who is in charge of operations underground, and a plant and logistics manager, who heads the operations above ground. The team also consists of a development manager, a QEHS manager, a maintenance manager, a production controller and an HR manager.

During the year, 28 individuals were recruited to Dannemora Magnetit. This brought the total working in mining operations to 67 at the end of the year, while about the same number were working at the Company's sub-contractors.

## Business objective

Dannemora Mineral will engage in continuous mine-site exploration in order to gradually increase the mineral reserve and its own business capital, with the aim of becoming a sustainable mining company running profitable operations for many years to come.

## Strategic location

The Dannemora iron ore mine is in Östhammar municipality,

40 km north of Uppsala and 35 km west of Hargshamn, the port to which ore is transported by rail. The location provides short transport routes to Dannemora Mineral's market in northern Europe and low freight costs.

The nearest town is Österbybruk, 2 km east of the mine. The proximity to Uppsala and Stockholm provides advantages from a recruitment perspective, while being close to Stockholm and Arlanda is an asset in terms of contacts with the Company's customers.

## Notification of mining operations

Dannemora Mineral notified the Mining Inspectorate of the start of mining operations on 13 January 2012.

## Underground exploration

In 2012, a total of 7,057 metres of diamond-drilling was conducted on several ore bodies and from different levels in the mine. This drilling is an intensification of the previous exploratory drilling of the ore bodies. The aim is to increase the reliability of ore boundary determination prior to development. At the same time, the increased number of chemical analyses of mineralised sections of the drill cores allows a better estimate of the iron content in the ore bodies that will be mined.

The results of the diamond drilling provide the basis for the estimation of mineral resources and consequently also the mineral reserve. Forecasts of the crude ore's chemical variations are forwarded to the sorting plant in order to optimise the yield and product quality.

## Blasting

The first production blasting was carried out on 22 February 2012. EPC Sverige AB deals with the supply of all explosives, as well as charging and blasting, which takes place at appointed periods four times every 24 hours. An explosive store has been set up at the 236 metre level.

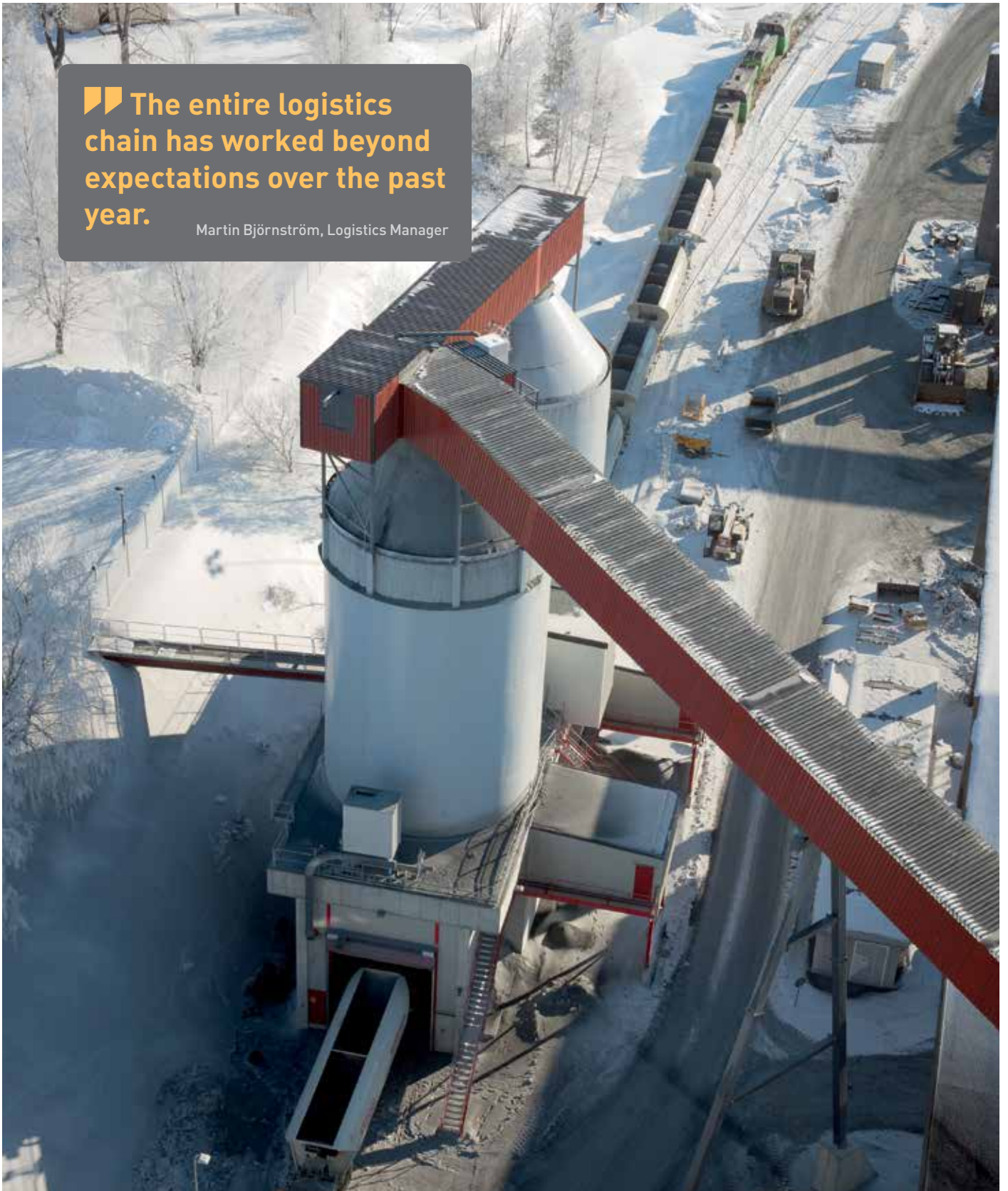
## New production plan for the mine

Production drilling began in the northern part of the mine, where crude ore mining also started in April. A new production plan for the mine was adopted in the third quarter. The plan involves expanding the mining to include more ore bodies, with the aim of improving



▮▮ The entire logistics chain has worked beyond expectations over the past year.

Martin Björnström, Logistics Manager



From March 2013, the positioning of the trains is semi-automatic. The rail cars are equipped with transponders, and from inside the cab the driver can position them under the correct silos for fines and lump ore and in exactly the right position. The loading is controlled from the control room and the weight of each rail car load is very accurate.

**15**  
VESSELS  
LEFT  
HARGSHAMN

After dredging,  
the port will be  
able to receive  
ships of  
**40,000**  
tonnes

the iron yield. From summer, most ore was mined in Kruthus and Konstäng. Development of the Svea ore also began, while development of mining ramps is ongoing in most of the ore bodies.

#### Surface crusher

A temporary crusher has been installed in the industrial area. The crusher has been in use since 2 April, and will be used until the permanent underground crusher is completed.

#### Underground crusher

During the second half of 2012, an additional evaluation of the optimal location of the underground crushing station was made, which has delayed the project by about one year. The feasibility study evaluation remains in place.

#### Ore hoist system

In April, a 19-tonne winding drum, 14-tonne gearbox and two 12-tonne engines were lifted to the top of the mine

head frame and mounted in the winding room. This means that all vital parts are in place for transporting the ore up from the mine and into the sorting plant. There are also ore skips in the mine area.

#### New ramp connection to the surface

The ore is brought up to the surface from the mining levels via the new ramp connection, which is 1,800 metres long. The ramp was completed in March 2012.

#### Water pumping system, high-voltage power and ventilation

The permanent water pumping facility was completed during the year. The system pumps water up from the bottom of the shaft at the 620 metre level via water basins at the 460 metre and 350 metre levels. The facility handles the natural flow of water at about 10 litres per second. Vattenfall Nät upgraded the power supply to the area to 20 MW during December 2011.

Ventilation in the northern part of the mine is in place – both the primary ventilation, with ventilation shafts into the mine, and the secondary ventilation, with flow systems to the areas where activity is in progress. In 2013, the main system in the southern part of the mine will also be taken into use.

#### Finished goods warehouse

The finished goods warehouse consists of two 2,500 tonne-capacity tanks, one for lump ore and one for fines. The ore is stored there



Mining Manager Gunnar Rådberg inspects a drilling rig.



The installation of the mine's ventilation system is in progress. Completion in 2013.



Samples are taken continuously at the sorting plant and analysed in the laboratory.



The 19-tonne winding drum is installed at the top of the head frame, which is 78 metres high.

prior to transportation to the sorting plant. The warehouse is fully automated and is monitored from the control room. The iron ore products are emptied straight from the tanks into railway wagons.

### Rail terminal

The rail terminal was completed in 2011 and was used for loading ore during the year. It has ensured a high level of accuracy with regard to optimal load weights and a very high loading rate. In March 2013, a semi-automated positioning system was installed, allowing the driver to control the positioning of the rail cars from inside the cab.

### Railway

Green Cargo is responsible for the transportation of iron ore on the Dannemora-Hargshamn line. The arrangement has worked well and operational readiness was very high in 2012. The first 14 rail cars were delivered in February and the remaining 14 in September.

The rail transportation began in February, with six rail cars used to transport the ore, and the number was gradually increased to 16 at the end of the year. Having some excess capacity means that the extra rail cars can be used during maintenance without any disruption to the rail transportation. Three trains depart for Hargshamn every day, giving a total capacity of 3,000 tonnes per day.

As a result of a derailment on 30 November, rail traffic ground to a halt for thirteen days. Dannemora's proximity to the port meant

that the Company was able to use trucks instead and deliver the ore without any delays. This was evidence that the advantageous location close to the port allows transportation even during rail disruptions.

### The port

In January 2012, a ten-year agreement was concluded with Hargs Hamn AB for unloading iron ore, and for storage and loading onto ships. The first ore cargo departed from Hargshamn on 28 June 2012 for delivery to Salzgitter Flachstahl in Germany. During the year, 15 ships carrying iron ore products departed from Hargshamn bound for customers in northern Europe.

A homogenisation store is to be established at the port. Dump pockets for automatic unloading have been completed at the facility. These will allow automatic bottom-emptying for six rail cars at a time, which will bring significant time savings. The facility was completed in April 2013.

### Halving of shipping costs

On 23 October, Hargs Hamn AB was granted a permit under the Environmental Code to deepen and widen the fairway and extend the ore berth. The work is scheduled for completion in spring 2015. Vessels of 40,000 tonnes will be able to be loaded compared with 20,000 tonnes at present and shipping rates will be almost halved.



Trucks carry the ore up to surface via the ramp.



The iron ore is crushed in the industrial area and transported by conveyor into the sorting plant.



28 ore cars and four locomotives were delivered in 2012.



When the ore vessels come in to berth at Hargshamn, the port staff work to load them in three shifts around the clock.

## Iron processing in a modern costume

On 2 April 2012, production started at the new permanent sorting plant. This also marked the start of the Company's commercial operation.



Production at the sorting plant is monitored and controlled from the control room, which is housed in the renovated office building.



Dannemora Fines has a dimension of < 5 mm.



Dannemora Lump Ore has a dimension of 5-16 mm.

The planned production for the year was 500,000 tonnes of finished iron ore products. As a result of running-in problems at the plant, the actual production was 271,000 tonnes.

An action programme was established to address the identified shortcomings in the process and equipment, and a number of improvements were implemented during the year. Production has steadily increased in pace with the improvements in crushing and screening and the introduction of more shifts.

The plant began operations with one day shift in April, which was increased to two shifts at the beginning of June. A third shift was in place in late August and in the middle of November a fourth shift was recruited.

Operational readiness in the fourth quarter was approx. 75 percent and at the end of the year, the plant had reached full capacity for the intake and processing of crude ore.

After the end of the financial year, in February 2013, the fifth

and final shift was in place. This means that the sorting plant is operated around the clock, seven days a week, with interruptions only for scheduled preventive maintenance.

### Dry processing results in lower costs

The commercially interesting iron mineral in the Dannemora field is magnetite. The ore is magnetic and can be crushed and processed in a dry process by magnetic separation.

Dry processing has many advantages. It is less expensive than wet processing, and the ore does not need to be dewatered, which means it is not at risk of freezing. In addition, shipping costs are positively affected and environmental impacts are minimised.

Magnetic separation takes place in two stages at present and an additional processing step is currently being planned. The aim is to utilise more saleable iron ore from the residue that remains during processing.



It is very positive that we have trained and got five shifts into production in such a short time.

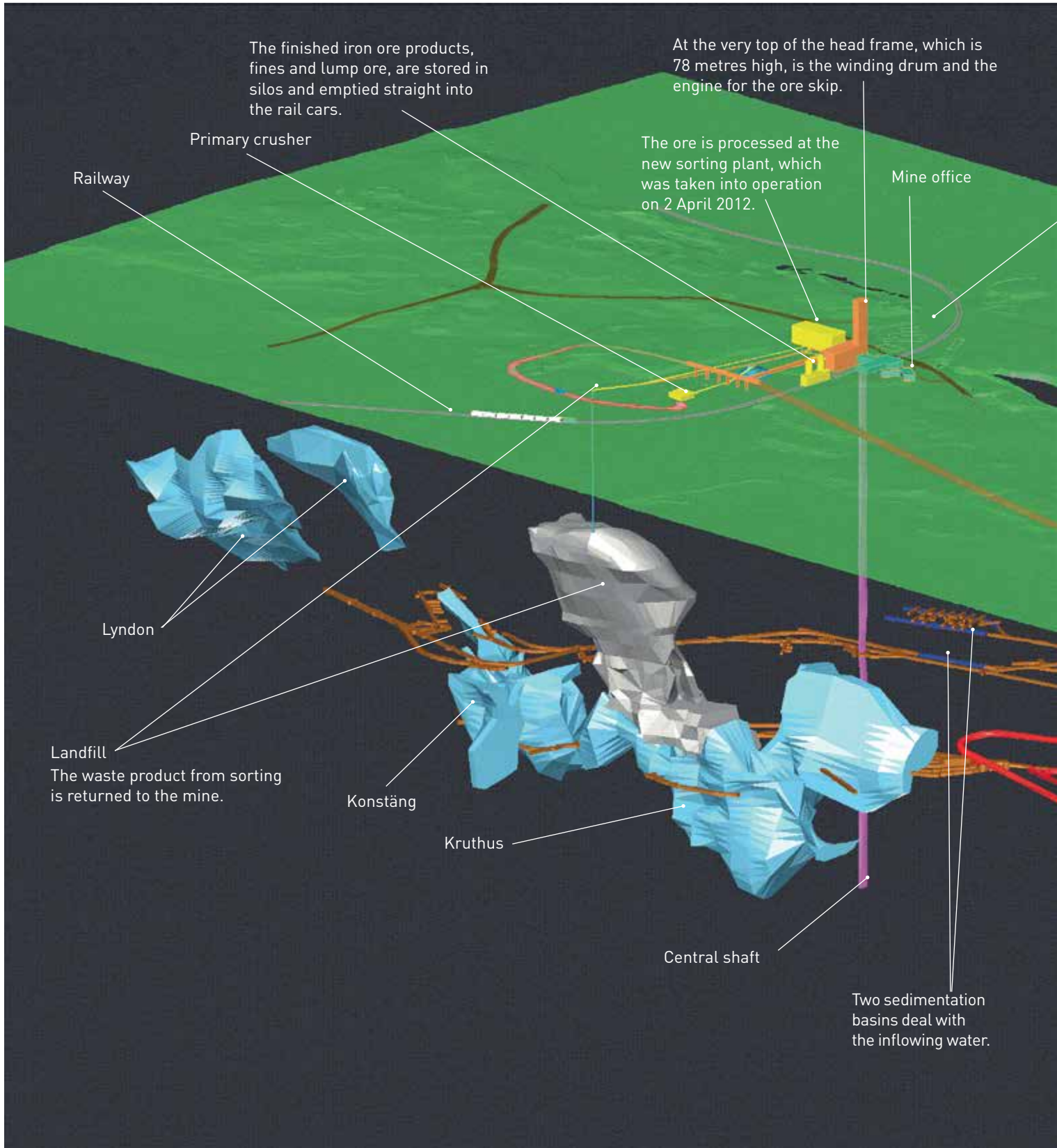
Jan Lindsund, Sorting Plant Manager

The finished iron ore products, fines and lump ore, are stored in two silos in the industrial area and emptied straight into the rail cars. At the very top of the 78-metre head frame is the winding engine and pulley, which will be part of the main shaft's ore hoisting system when the ore skip has been installed.



At the sorting plant, the ore is separated from the waste rock by magnetic separation in several steps. From February 2013, the plant is operated with five shifts around the clock.

# In and around the mine



The mine has been emptied of 3 million cubic metres of water. A permanent water pumping system now takes care of the natural inflow of water at 10 litres per second.

Storrymningen is an open pit that probably dates back to the Middle Ages.

The iron ore is brought up to the surface using the new ramp connection which is 1,800 feet long and has been named the Carl XVI Gustaf Ramp.

Voids after previous ore mining. Historically, 35 million tonnes of iron ore have been mined in the mine.

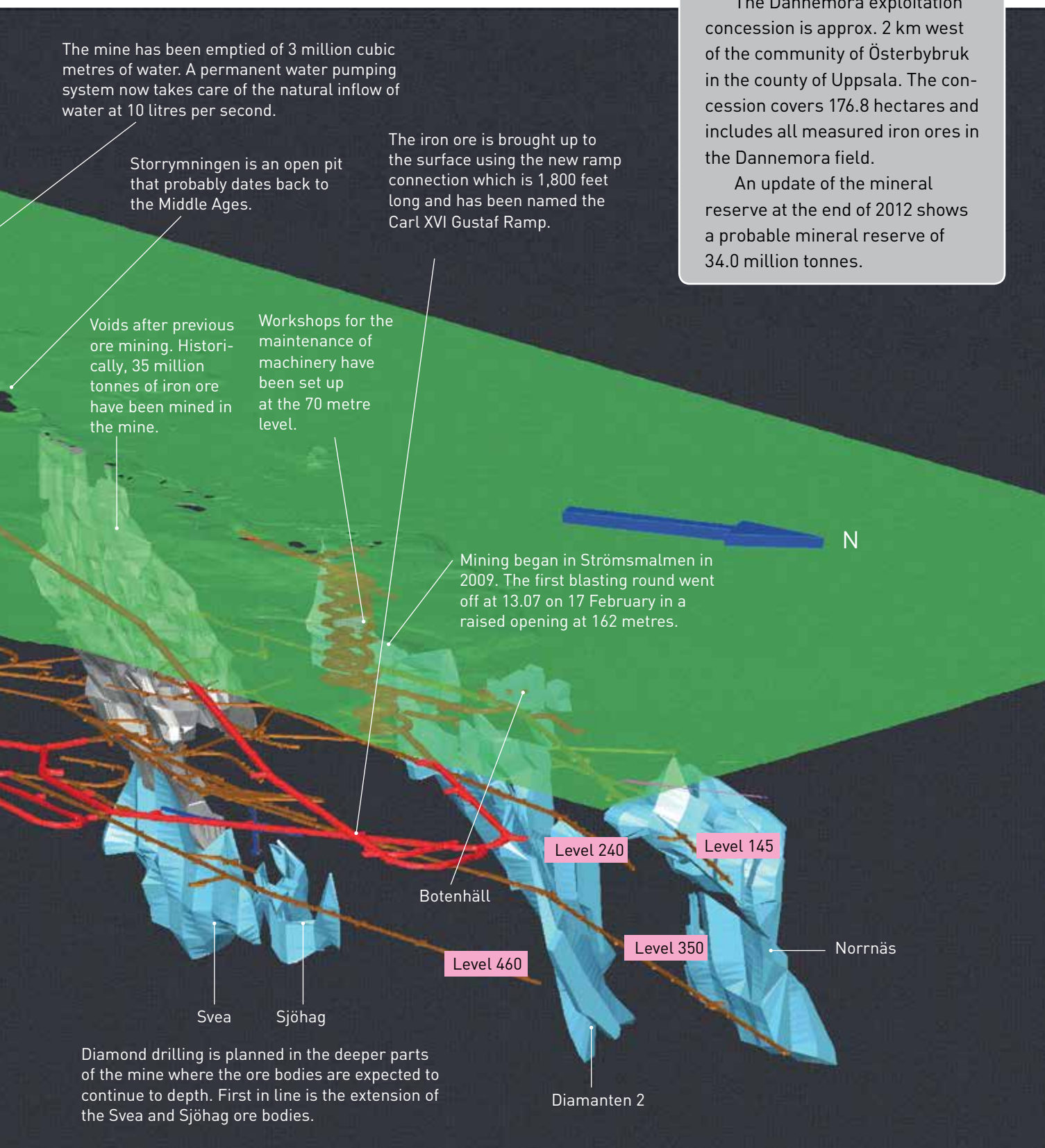
Workshops for the maintenance of machinery have been set up at the 70 metre level.

Mining began in Strömsmalmen in 2009. The first blasting round went off at 13.07 on 17 February in a raised opening at 162 metres.

The Dannemora field is 3 km long and 400-800 m wide.

The Dannemora exploitation concession is approx. 2 km west of the community of Österbybruk in the county of Uppsala. The concession covers 176.8 hectares and includes all measured iron ores in the Dannemora field.

An update of the mineral reserve at the end of 2012 shows a probable mineral reserve of 34.0 million tonnes.



Diamond drilling is planned in the deeper parts of the mine where the ore bodies are expected to continue to depth. First in line is the extension of the Svea and Sjöhag ore bodies.

# Dannemora iron ore was formed 1.9 billion years ago

**Dannemora's iron ore occurs in rocks formed in an active volcanic environment 1.9 billion years ago. The economically interesting iron mineral in the field is magnetite.**

The bedrock of the Dannemora field consists mainly of steeply dipping layers of supracrustal rocks, considered to be about 1.9 billion years old. They consist mainly of volcanic rocks, carbonate rocks, iron mineralisations and metamorphosed variants of these.

The volcanic rock was formed during intense volcanic activity from gas-rich and fragment-bearing ash which flowed down, or from material raining down from the cloud of ash thrown up by the eruptions. The carbonate rocks are made up of limestone and dolomite. Volcanics and carbonate rocks next to the iron mineralisation have to some extent been converted to skarn, which is dominated by the minerals pyroxene, amphibole, garnet and calcite.

The bedrock in the Dannemora field has been deformed by folding, which has moved the originally horizontal rock layers into a more or less upright position. A large number of faults also divide the bedrock and have in some cases caused significant shifts. The iron-ore-bearing part of the fold structure (expressed as the Dannemora synclinal) has a length of approx. 3 km and a width ranging between 400 and 800 metres.

## Large numbers of ore bodies

Depending on the primary formation of the iron mineralisation and subsequent deformation, a large number of iron mineralisa-

tions occur along strike at various depths. About 25 ore bodies were mined before the mine was closed down in 1992. The iron ore bodies are normally massive and associated with the carbonate rock. The strike is approximately N30°E and they have a thickness varying from a few metres to 100 metres. Close to the surface, the deposit dips steeply to the north west, while a less steep dip is encountered at depth (70° to 55°).

## The iron mineral magnetite

The only economically interesting iron mineral in the field is magnetite, which is composed of iron and oxygen ( $\text{Fe}_3\text{O}_4$ ). The magnetite is mostly fine-grained (0.05–1.0 millimetres). It often appears with skarn minerals, which also usually surround several of the iron mineralisations. Many of the iron mineralisations have a relatively high manganese content. The manganese is largely silicate-bound and occurs notably in skarn minerals such as dannemorite (now called manganogrunerite) and knebelite. All the iron mineralisations in the field have a low phosphorous content (<0.005 percent). The sulphur content varies from 0.05 to 0.7 percent.



The economically interesting iron mineral in the field is  
**magnetite** ( $\text{Fe}_3\text{O}_4$ )

# Update of the mineral reserve

**An update of Dannemora's mineral reserve on 31 December 2012 shows a total probable mineral reserve of 34.0 million tonnes with an average grade of 34.5 percent Fe. This is a decline in tonnage compared with the previous estimate in December 2011, which was 35.1 million tonnes and 35.3 percent Fe.**

The decline during the year is partly due to the mining of 965,000 of ore (sorting plant statistics) and partly due to improved knowledge of the ore boundaries through diamond drilling and drift mapping.

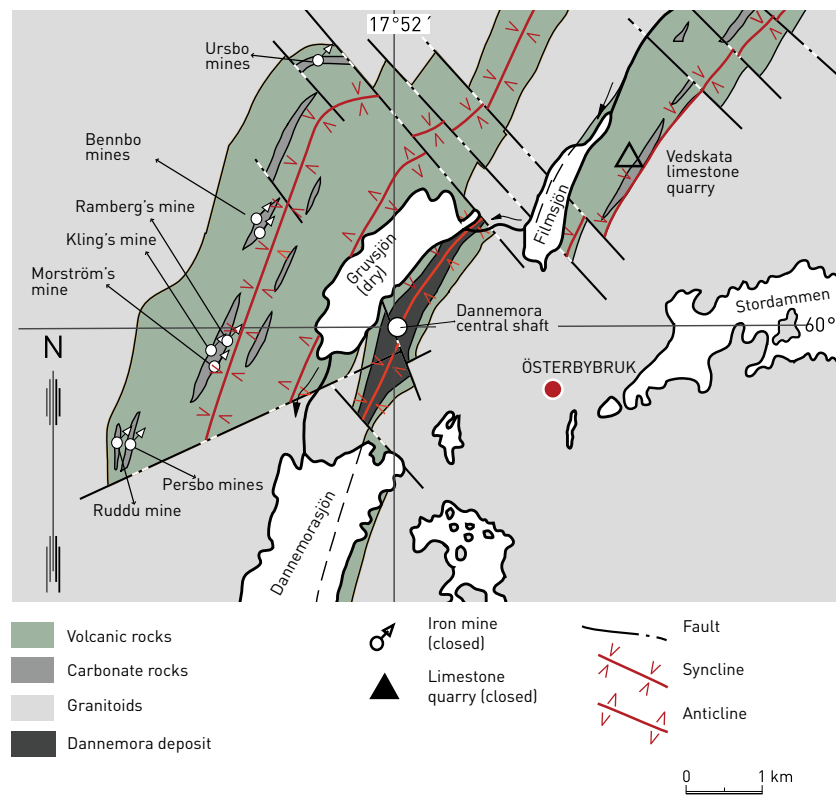
The new mineral reserve figures are based on an updated estimate of mineral resources. Previous estimates were based on a cut-off level of 30 percent Fe, as this level had applied historically. An evaluation showing content down to 20 percent Fe to be economically interesting and new analyses conducted on all historical drill cores that were available allowed an increase in the mineral resources for 2011.

The reported tonnage of the mineral reserve includes a certain amount of dilution as a result of the mining technique used. In practice, it is not possible to mine ore alone; it will inevitably be diluted with some waste rock.

With the recently updated mineral reserve, the estimated life of the mine is ten years. Annual production is scheduled to increase to 3.5 million tonnes of crude ore from 2016 onwards. The Company carries out continuous exploration close to the mined ore bodies using diamond drilling. It is the Company's aim to increase the mineral reserve. As the mine was previously filled with water, it is only now that we are able to create favourable locations from which to drill down to levels below 500 metres.

The mineral resources for 2012 were estimated by geologists Stefan Sandberg and Gunnar Rauseus in cooperation with Mining Engineering Thomas Lindholm, GeoVista AB, Luleå, who is the Company's independent qualified person. Thomas Lindholm is a Fellow of AusIMM (Australasian Institute of Mining and Metallurgy) and has the required knowledge and experience in reporting this type of deposit. The mineral reserve was then estimated by mining planner Daniel Eklund, taking into account ore losses and waste rock dilution.

Geological map of the Dannemora area



Dannemora mineral reserve Cut off 20% Fe.

Probable mineral reserve	Tonnage, Mton	% Fe
2011	35.10	35.30
2012	34.01	34.52

Several of the ore bodies have no proven termination to depth, which appears to indicate good scope for more ore.

# Development projects

**Dannemora Mineral will gradually increase the mineral reserve by continuous exploration. The goal is to become a sustainable mining company conducting mining operations for many years to come.**

Exploration activities in Dannemora Magnetit are primarily aimed at expanding the iron ore reserves in the Dannemora field. The focus is on iron ore, although several exploration permits have been granted for exploration for base and precious metals.

## Exploration drilling

Exploration drilling was carried out during the year in order to increase the information density for the proven ore.

Exploration drilling in 2013 will be focused on the Svea and Sjöhang ore bodies to verify their continuing extension to depth.



Map of exploration permits in and around Dannemora.

## Exploration permits and exploitation concession

In addition to an exploitation concession for the Dannemora field covering 176.8 hectares, Dannemora Mineral had 13 exploration permits at the end of the year, covering an area of 5,277 hectares. Five exploration permits expired during the year and five were extended. After the end of the financial year, the Company applied for an additional exploration permit in Rambäll.

All the exploration permits and the exploitation concession for the Dannemora field are wholly owned by the Parent Company.

## Riddarhyttan exploration permit

Planning for the future development of Riddarhyttan continued during 2012. The two exploration permits in the field that were due to expire in 2012 were extended for another three years.

The Riddarhyttan field is the most interesting iron ore project in addition to the main project in Dannemora. The iron ore in the field is the same type as as the Dannemora ore, which presents commercial and logistical advantages.

This is one of the oldest iron ore fields in Sweden. The field contains a large number of mines, with Bäckegruvan having particular historical importance. Historical iron ore production in the Riddarhyttan field is estimated at just over 20 million tonnes of iron ore. The Riddarhyttan 1 and Riddarhyttan 3 exploration permits cover the iron ore resources in the field. The majority of the area has been covered by ground magnetic surveys.

## 3D model created from analyses of old drill cores

32 old diamond drill cores from the Riddarhyttan field, which are stored in the archive at the Geological Survey of Sweden in Malå, were sampled in 2012. 298 sections from these cores will be analysed. The analysis results will be ready in spring 2013. It will then be possible to create a 3-dimensional model of the mineral resources and estimate the mineral reserve. The ore reserve calculation from 1978 indicated a probable mineral reserve of 14.5 million tonnes.



Old diamond drill cores from the Riddarhyttan field.

**"Dannemora Mineral has exceptional importance. In the long term, they will become the port's biggest player."**



Curt Nilsson, CEO Hargs Hamn AB

So says Curt Nilsson, CEO of Hargs Hamn AB, which is 78 percent owned by Östhammar municipality.

Hargshamn dates back to the 17th century, when it was the port of shipment for iron bars from Hargs Bruk and ore from the Dannemora mines. Ore exports continued until 1992 when the Dannemora mine was closed.

#### First ore cargo ship departs

"On 28 June 2012, the cargo ship TransOsprey departed from Hargshamn with the first commercial cargo of iron ore products," says Curt Nilsson. "It feels good to have these operations back again. From an emotional perspective, it's something that should be here."

Today, Hargshamn is a modern port that handles large amounts of bulk loose goods, including peat and wood pellets. Ore handling does not take the same space but is an important part of the operations. Three ore trains a day bring cargo to be unloaded and stored until the next ore cargo ship arrives.

"When the ore cargo ships come in, we work around the clock, seven days a week, loading them," says Curt Nilsson. "At present, one or two ships depart every week."

#### Environmental permit for expansion and dredging

On 23 October 2012, Hargs Hamn AB was granted a permit under the Swedish Environmental Code to expand the ore berth and dredge the port area and fairway. The work is scheduled for completion in summer 2015, after which the port will be able to accommodate ships of 40,000 tonnes rather than half that size as is the case at present.

"In the long term, Dannemora Mineral will become the port's biggest player," says Curt Nilsson. "And that pleases us. We have open dialogue and are highly satisfied with our relationship. They have very competent people. We like the mining community - they're good and honest people."

**"The arrival of Dannemora Mineral has given a boost to business and industry in the municipality and especially for Österbybruk."**

So says Ulf Andersson, Business Manager of Östhammar municipality. "Local companies have been boosted and many subcontractors have been engaged at the mine. Several of them come from Österbybruk."

#### New confidence and optimism

According to him, the place has livened up. This includes everything from associations, entrepreneurial activity, public services such as the school to local companies. There is a new confidence and optimism which started to emerge as it became clear that Dannemora was investing in the Dannemora mine.

"This has given a boost to many companies - like Lenas Gryta and Österbybruks Herrgård. And Entrepreneur of the Year, Hans Bromarks Åkeri, which has been here for generations, has had a real lift. Their activities include transporting the crude ore up from the mine.

#### Immense pride

"We have had excellent relations with Dannemora Mineral from day one. We feel immense pride in the fact that they are here. We often emphasise this in a regional context. We often say that we have the archipelago, Forsmark, Sandvik Coromant and Dannemora Mineral.

"There is a widespread understanding that there may sometimes be a little more noise and dust than before. People here have got used to it. Mining is part of our district.

"Dannemora will be important to the infrastructure in several ways. What is there to say that there won't be passenger trains running here in 20 years? Or that the port could also be used for transporting other products?"



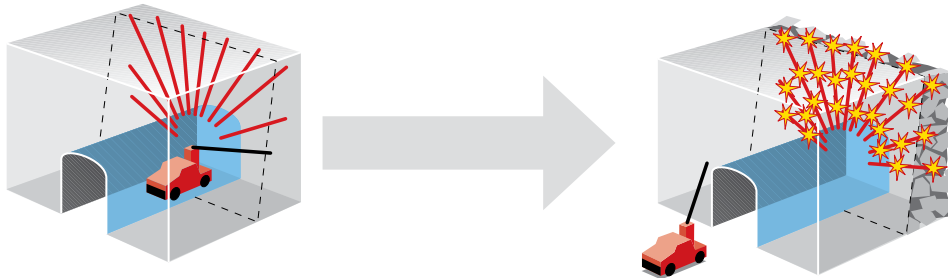
Ulf Andersson, Business Manager, Östhammar municipality

#### Favourable situation for the municipality

Ulf Andersson goes on to say that the situation is very favourable and that there are more business start-ups than ever.

"Business and industry here is really, really good. We're at the top - not only in Uppland, but also in comparison with Stockholm and Södermanland. Our challenge now is to increase relocation into the area and ensure that the infrastructure and the quality of public services keep up.

# The ore's journey from rock to end customer

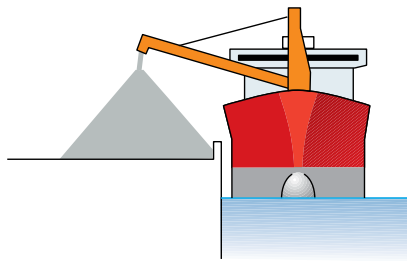


## 1 Mining

The ore is mined using the sub-level caving method.  
1. A tunnel is drilled right through the ore. A drilling machine starts from the inside and drills a number of holes, reverses two metres and drills new holes, reverses another two metres and drills new holes, and so on.

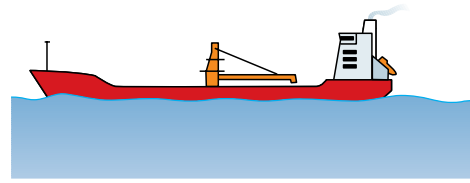
2. Starting from the inside, a blast hole ring is filled with explosives and blasted. Each blasting round can release up to 3,000 tonnes of ore.

3. The ore is transported away and the next ring is loaded.



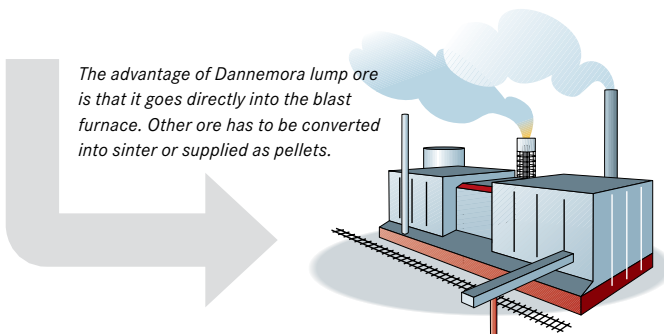
## 7 Unloading and transloading

The ore arrives at the receiving port in the Baltic Sea or North Sea and is transloaded onto truck or barge for transportation to the various steel companies in northern Europe.



## 6 Ore cargo ships to receiving port

The ore is loaded onto cargo ships via a 200 metre long conveyor. The ships' maximum cargo is 20,000 tonnes of ore. After dredging the port area and fairway, large vessels of 40,000 tonnes will come to transport the ore. One to two ore cargo ships a the week depart from Hargshamn.



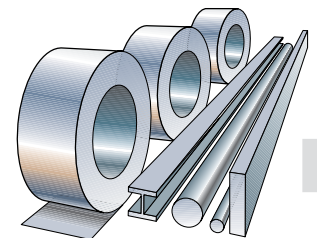
*The advantage of Dannemora lump ore is that it goes directly into the blast furnace. Other ore has to be converted into sinter or supplied as pellets.*

## 8 The steelworks

**The iron ore becomes pig iron**  
The iron ore is smelted into pig iron in the steelworks' blast furnace. The blast furnace is fed with iron ore, coke, limestone and other additives and heated to approx. 1,600° C. The coke reduces the ore to iron and the limestone cleanses the iron of sulphur and phosphorus. The molten pig iron contains 95% iron.

**The pig iron is turned into crude steel using the Basic Oxygen Steelmaking process**

Crude steel is produced by an oxidising action. The molten pig iron is poured into an LD converter and mixed with about 20% recycled scrap iron. Oxygen is blown into the steel bath and reduces the carbon content to between 0 and 1.5%. The molten crude steel cools and forms long strings that are cut up into slabs.



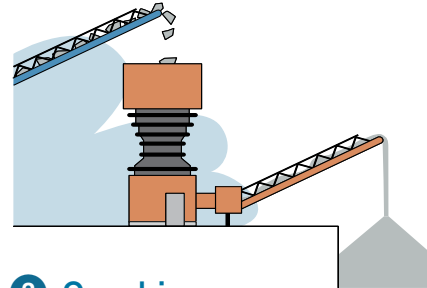
## 9 Production

The crude steel then undergoes further processing, which differs according to its intended use. Steel is one of the world's most important industrial material and is used for everything from watches and cars to bridges and buildings.



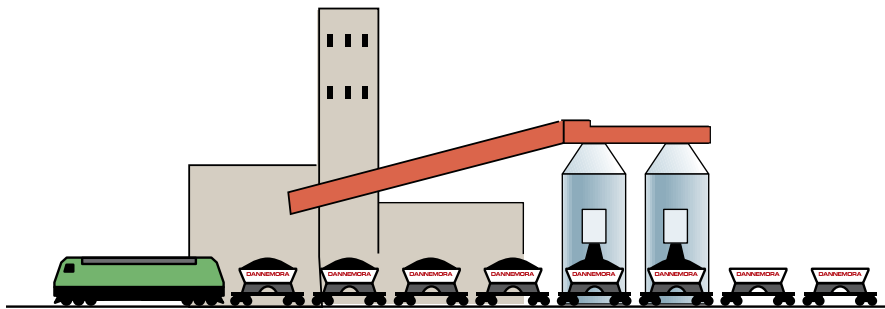
## 2 Transport to surface

The ore is loaded onto trucks and transported up to the mine yard using the new straight ramp connection, which is 1,800 m long.



## 3 Crushing

The ore is coarsely crushed in a temporary crushing station in the mine yard next to the sorting plant.

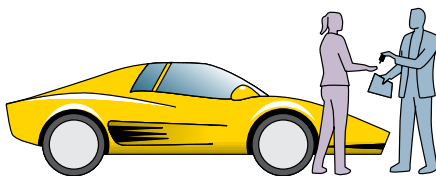


## 5 Transportation to the port

The iron ore products are loaded onto a train from two silos in the mine yard – one for fines and one for lump ore – and transported along the 35 km line to Hargshamn. The ore is stored there until the arrival of the next ore cargo ship. Three ore trains a day leave Dannemora carrying up to 3,000 tonnes of iron ore.

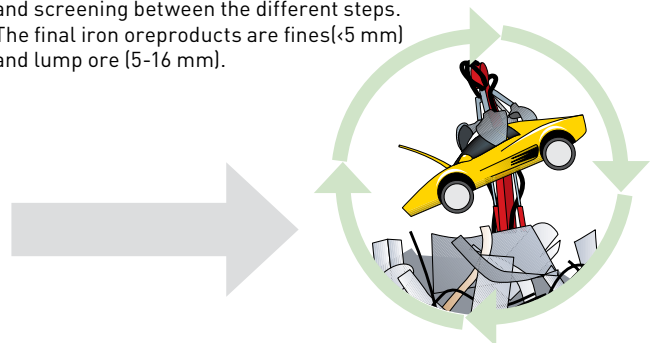
## 4 Sorting

At the sorting plant, the ore is separated from the waste rock. As Dannemora's ore consists of magnetite, it is magnetic, which means that magnetic separation can be carried out in a dry process. The ore is separated into several steps, with crushing and screening between the different steps. The final iron ore products are fines (<5 mm) and lump ore (5-16 mm).



## 10 The journey's end

The final product, in this example a car, is delivered from the factory and the customer buys it. A typical car contains approx. 60 percent steel and iron.



## 11 Recycling

At the end of the car's life, it is scrapped. Steel can be recycled over and over again and made into new products. Scrap steel is an inexpensive resource and recycling is profitable for steel companies. Today, about 70 percent of all the scrap steel in the world is recycled and the percentage is steadily rising.

"We have achieved good market penetration in northern Europe."

Jan Vestlund  
Marketing and Logistics Manager,  
Dannemora Mineral AB

## 80 percent of production covered by supply contracts

2012 was a year of establishment. Despite this, deliveries to our customers went exceptionally well. We have a good order intake and strong demand for our products. 80 percent of our production is covered by long-term supply contracts over the coming years.

**The situation looks bright.** We have supply contracts with five steel companies and we expect to sign another 2 to 3 long-term contracts in 2013. We have good relationships with our customers who are highly qualified and expect a high standard from us and our products, which have metallurgical properties that suit the European market.

**The steelworks in our market in northern Europe** are producing at a reduced rate at present, due to an overcapacity of steel in Europe. They are reluctant to tie

up capital and are therefore keeping very low stock levels. Our proximity to the market means that we can help them with fast deliveries, so that their level of tied-up capital is kept to a minimum.

**As a small player, it is a strength that we can be flexible** in such situations and maintain an extra high level of service. We are responsive to customers' preferences and can also offer tailored customer solutions.

**So far, we are pleased with our first year** in production. We have succeeded in our goal to achieve good market penetration in our local market and establish good customer relations. In my opinion, everything is in place for us to achieve good sales results in 2013 and beyond.

A FURTHER  
**23**  
TO  
SUPPLY CONTRACTS  
IN 2013

## Customers and market

**Dannemora's market is north European steel companies importing ore via Baltic and North Sea ports. The prime location close to the market means Dannemora Mineral offers customers short lead times and unique just-in-time solutions.**

In 2012, Dannemora Mineral started its deliveries to Arcelor Mittal and SSI UK (Sahaviriya Steel Industries) via Stemcor as a prelude to a longer cooperation. A framework agreement with ROGESA Roheisengesellschaft Saar mbH has also been signed. These complement the previous agreements with Salzgitter Flachstahl, ThyssenKrupp and Stemcor, which were signed back in 2011.

The order intake was good in 2012 and most of the production is covered for the next three years.

During the year, 70,000 tonnes of iron ore fines and 163,000 tonnes of lump ore were delivered to customers in Europe. By the end of the year, a total of 15 loaded vessels had left Hargshamn.

### EU wants more local suppliers

The EU has stated that it is in favour of more local suppliers of iron ore to supplement the Brazilian mining giant Vale which currently dominates imports of iron ore to Europe.

### Overcapacity of steel in Europe

There is an overcapacity of steel in Europe and the capacity utilisation rate remained low in 2012. The European steelworks are keeping their stocks at a low level and want deliveries at short notice. This benefits Dannemora, as its proximity to the market means the Company can offer short delivery times.

In the EU (27), crude steel production was 169.4 million tonnes in 2012, a decline of 4.7 percent compared with the previous year.

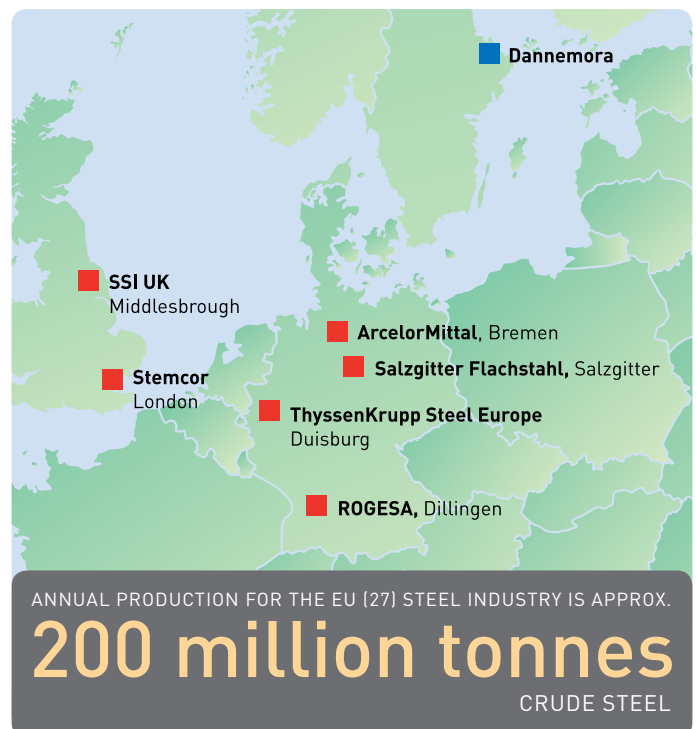
### No recovery until 2014

Weaker demand from the construction and automotive industry in Europe is expected to lead to reduced steel production. In January 2013, Goldman Sachs lowered its forecast for European steel consumption in 2013 to -2 percent. Moody's also believes that demand will continue its decline, falling by 2-4 percent during the year. It is not until 2014 that we shall see a certain recovery for the steel industry. Vehicle production and construction are expected to pick up again and give some momentum to industrial activity.

### The European steel market

The EU is the world's second-largest producer of steel after China. The steel industry accounts for approx. 1.4 percent of the EU's gross domestic product. At full capacity, the steel industry in the EU (27) produces approx. 200 million tonnes of crude steel. The industry employs 360,000 people and has sales of approx. EUR 200 billion.

### Dannemora Mineral's customers



## The world will always need iron ore

Trade in iron ore occupies second place after trade in crude oil and about two billion tonnes of iron ore were mined in 2012. Demand for iron ore is expected to increase in the long term in line with increasing demand for steel for infrastructure projects and production in the world's emerging economies. The trend since 1980 in terms of both iron ore prices and crude steel production shows a steady increase with occasional declines. There is nothing to indicate that the long term trend will be broken.

### PRICE STRUCTURE

The reference price for iron ore products is based on the spot price for fines with an iron content of 62 per cent, CFR Tianjin, China. Iron ore prices were extremely volatile in 2012 and slumped to 88 USD per tonne in September, which is the lowest level since 2010. At the end of the year, the price was USD 144 per tonne.

Quarterly pricing is still the dominant model in the market, which is controlled by the index applicable for the current quarter. Today there is a wide variety of models, with everything from annual and semi-annual prices to monthly prices and prices per load (spot prices).

Dannemora Mineral's prices are affected by world prices, with about a one-quarter lag. The prices are based on Brazilian ore delivered to the port of Rotterdam.

Iron ore products are priced in U.S. dollars and the dollar's fall against the Swedish krona in 2012, particularly in the second half of the year, had a negative impact on Dannemora Mineral's net sales. The exchange rate was SEK 6.51 at the end of the year.

### PRICE MECHANISMS

Demand for iron ore will increase in the long term, which means that the price in a way will become self-regulating. The mechanisms that control the pricing are supply of iron ore and the price of iron ore, which balance each other.

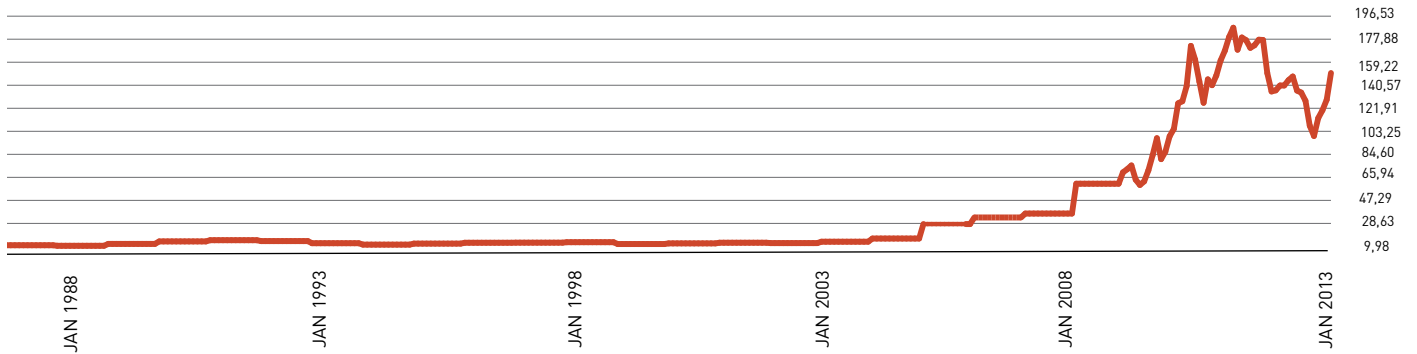
In the case of reduced supply of ore, the prices rise. When the price level is sufficiently attractive even for producers with high shipping costs, more iron ore producers can step in and, with increased supply, the price goes down. As the price falls, more and more producers step aside. This causes a shortage of iron ore and the price rises again.

The marginal cost of iron ore is estimated at an average of USD 125 per tonne. Because of the long-term increase in demand, prices will not fall below that level for some considerable time. The average price of iron ore over the last five years is USD 131 per tonne.



Price development 25 years USD per tonne

Source: The Steel Index

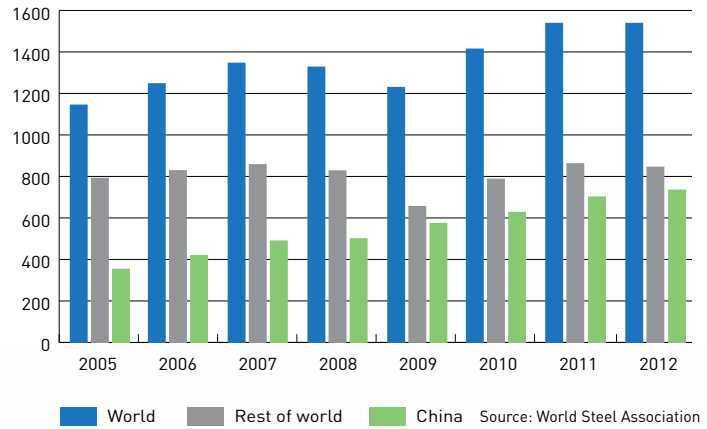


Production of crude steel - Mt - increase

	Increase since 2000	Increase in last 5 years	Production crude steel 2012
<b>China</b>	<b>458%</b>	<b>46%</b>	<b>716.5 Mt</b>
<b>India</b>	<b>185%</b>	<b>43%</b>	<b>76.7 Mt</b>
<b>South Korea</b>	<b>61%</b>	<b>35%</b>	<b>69.3 Mt</b>
<b>Turkey</b>	<b>151%</b>	<b>39%</b>	<b>35.9 Mt</b>

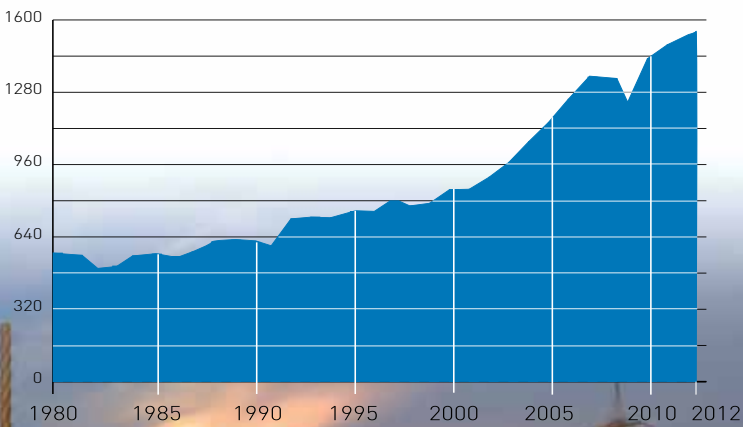
Source: World Steel Association

World production of steel - Mt



Source: World Steel Association

World production of crude steel 1980-2012 - Mt



Source: World Steel Association



## Steel production hits new record

**China is still the largest steel producer in the world, with 46 percent of the world market. However, emerging economies in Southeast Asia such as India, South Korea, the Philippines and others are expected to invest heavily in infrastructure and production and will be countries to be reckoned with in the future.**

In 2012, world steel production increased by 1.2 percent to a new record level of 1,548 million tonnes of crude steel. Asia and North America accounted for most of the increase, while the share for the EU (27) and South America decreased.

China alone accounted for 46.3 percent of global production. Chinese crude steel production was 716.5 Mt in 2012, an increase of 3.1 percent.

The Chinese purchasing managers' index rose to 52.3 in January from 51.5 in December 2012. There are signs of a sustained recovery in the industry and a steady increase in investments in infrastructure projects, which in turn affects the labour market and raises household consumption.

The increase in iron ore prices during the last few months of the year has had a major effect on margins for steel producers in the

first quarter of 2013, although the trend is unlikely to persist in the face of low demand for steel according to Fitch Ratings.

The increase in demand for steel in China is believed to have reached its peak, although production volumes will continue to grow. The increase is likely to fall below 5 percent per year. At the same time, inventory levels in China are very low and stocks need to be replenished. One of the reasons is that Australia had problems delivering ore to China at the end of the year and in early 2013 due to extreme weather conditions.

### Fragmented steel industry

Despite its size, the steel industry today is still relatively fragmented. The world's largest steel producer ArcelorMittal accounts for almost 8 percent of the global production capacity, while the top 10 steel producers in the world account for only 20.7 percent, or almost 400 million tonnes.

### Three mining giants dominate

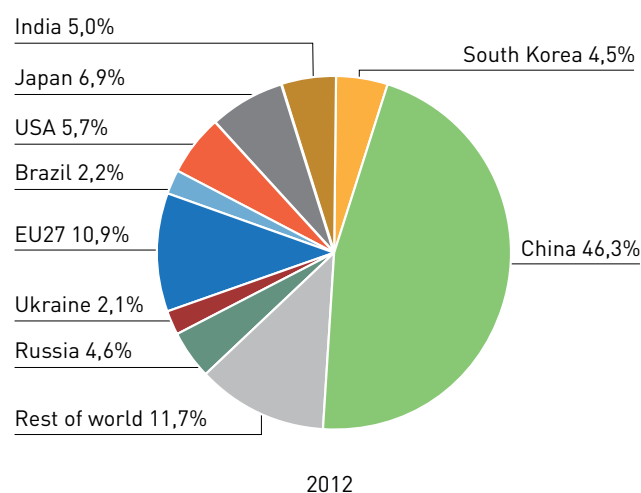
In contrast to the situation in the steel industry, supply of iron ore is in the hands of three very large companies – Vale of Brazil and Rio Tinto and BHP Billiton in Australia. Together, they control almost 70 percent of seaborne iron ore trading and dominate the price negotiations.

### The future

Asia is expected to account for the largest increase in demand for iron ore. Emerging countries such as India, South Korea, Indonesia and the Philippines are expected to invest in infrastructure, although the region's growth forecast for the immediate future has slowed to about 6 percent according to the Asian Development Bank.

Since 2000, China, India, South Korea and Turkey have accounted for the largest increase in crude steel production in the top 10 steel-producing countries in the world.

Shares of world crude steel production in 2012



Source: World Steel Association



**716.5** million tonnes  
of crude steel produced in China 2012

## A responsible company

**Dannemora Mineral shall operate with a high level of profitability, responsibility and expertise, enabling it to be an attractive workplace and business partner. The goal is to be a responsible and sustainable company in every way.**

The Board has ultimate responsibility for Dannemora Mineral's sustainable development, while operational responsibility lies with Group management.

### Activity of national interest

The mining industry contributes greatly to the industrial world's material needs and economic prosperity, and development of mineral resources is a catalyst for economic growth.

Geological Survey of Sweden, SGU, has decided that the deposit in Dannemora is an area of national interest. This means that Dannemora is protected from other exploitation. SGU takes the view that the area has good potential for future mining, that the exploration is well documented and that the area is important for the supply of materials to Sweden and Europe.

### Overall policy

Dannemora Mineral's overall policy is to ensure safe, environmentally friendly and profitable development of the Company's operations by constantly improving the working and external environments, energy consumption, personnel policy and product quality.

### Quality

Dannemora Mineral works on the principle of total quality. Quality initiatives play a crucial role in iron ore operations and exploration activities, with constant improvement being a key aspiration. This also applies to work in the area of health, safety and environment. This policy does not apply exclusively to Dannemora Mineral and its employees, but also acts as a guiding principle for consultants, contractors and suppliers engaged by the Company.

The Company has started work on environmental certification according to ISO 9001:2000.

### Environment

Resumption of operations in Dannemora and the mining of other future deposits will have environmental impacts, mainly in the form of landscape changes, noise, and emissions into the air and water.

The Company has a stated environment policy of minimising the environmental impacts of its activities as far as possible. This will be achieved by consistent environmental work which also enables the Company to meet existing and future legislation and requirements imposed by various stakeholders.

To minimise any lasting impact on the landscape, residual mining products will be returned to the mine. These will also be used as reinforcement material in the mine.

The pumping operation to drain the mine was completed in February 2010, when the mine had been drained from the 310 metre level to the 470 metre level. A sedimentation plant was built to deal with the volume of water being pumped out of the mine. A programme to ensure proper environmental control of the plant was approved by the County Administrative Board and an assessment has been made under the monitoring programme.

A permanent sedimentation plant has been built to deal with the natural inflow of water into the mine, which is about 10 litres per second.

A chemicals audit was conducted for the entire mine area in 2012 and a system has been produced to check what chemicals are present in the plant and in what quantities they occur. The Company is required to carry out this work and report the findings to the authorities.

An environmental station has been set up to deal with environmentally harmful waste.

**Constant**  
WATER QUALITY,  
NOISE AND  
VIBRATION  
**measurement**

### Self-monitoring of noise, vibration, dust and water

On its own initiative, Dannemora has developed a programme for self-monitoring of noise, vibration, dust and water in connection with test mining. All measures under the self-monitoring programme have been implemented and reported to the County Administrative Board.

With the start of production, the voluntary system moved to a permanent monitoring programme which has been approved by the County Administrative Board. The monitoring programme is reported to the County Board at the regular supervisory meetings.

Samples of water and measurements of noise and vibration are conducted continuously as part of the monitoring programme.

Vibration monitoring equipment has been installed in private homes in different locations. All houses in the area have been inspected for future follow-up of any formation of cracks. A certified chimney sweep has pressure-tested the chimneys in use in the area.

A noise study was conducted during the year for the sorting



Dannemora quality meeting

plant and industrial area. The sorting plant passed the recommended values and can therefore be operational around the clock. With regard to the industrial area, the crusher will be installed and covered with a tent. Sprinklers are mounted on the sides of the tent to prevent dust.

The Company has produced a voluntary sampling program for monitoring water quality in watercourses around the production area.

The sampling has been conducted continuously since 2005. The Company has also joined a water committee, which is an association of representatives from industry, the Swedish Environment Protection Agency and private individuals, with the aim of protecting the water environment in the area.

### Social aspects

The resumption of mining in Dannemora has brought back a time-honoured industry to an area with a long tradition in iron. The production start-up has initially created 78 new jobs, while sub-contractors, transport companies, social services, schools etc. will generate several hundred more jobs in the region. Several local contractors have been engaged.

### Property management

In addition to industrial property, the subsidiary Dannemora Förvaltnings AB also owns and manages 13 multi-family houses. The occupancy rate was very good during the year and there is a waiting list for potential tenants. With effect from 1 January 2012, all property management is handled by the Company.

In 2008, the Company purchased a 400-hectare area of land from the municipality of Östhammar, which was needed for operations at the Dannemora mine. The transfer included rental property and a number of buildings and installations in the mine area. Many of the buildings are heritage buildings.

The transfer included 13 residential properties comprising 64 rental apartments and a youth hostel. The properties are so close to the mining area that the Company considered it reasonable to assume that it has control of them. Parts of the portfolio are currently undergoing modernisation.

The subsidiary Dannemora Förvaltnings AB manages the Group's land and properties.

# Human capital

**As Dannemora Mineral's future development is highly dependent on the ability to recruit and retain experienced, highly qualified personnel, the Board and management work actively to make the Company an attractive, stimulating workplace. Simplicity and clarity, targeting and objective-setting are key concepts in building and developing our organisation and forms of cooperation.**

## Safe working environment

A safe working environment work is conducive to a lasting and successful business. As well as causing personal injury, serious accidents can also halt production and result in erosion of confidence.

## Zero tolerance

Safety initiatives are given top priority in the Company. The aim is to have facilities that have the same level of safety as others in the industry and ensure that no-one is harmed by any of Dannemora Mineral's activities. This will be achieved by systematic preventive safety and working environment measures, with the risk of accidents being reported, analysed and actioned.

In February 2012, a safety committee was established to work on safety issues. The committee meets once per quarter. Procedures for safety inspections have been drawn up and the inspections are conducted on a monthly basis.

There was one lost-time accident in 2012. One of the employees of a contractor was injured when a truck tipped on its side while unloading on the surface. The accident rate corresponds to a value of 2.6 incidents per million hours worked. The target for the mining industry in Sweden is approx. 4 incidents per million hours worked.

## Safety training

Since 2011, Dannemora Mineral has been a member of SSG ENTRE, which is a web-based interactive safety training programme for contractors. All contractors engaged by the Company undergo the training.

## Security systems

Entry systems with transponders for employees underground and entry systems for employees on the surface with access cards were introduced in the first half of 2012.

Procedures have been developed for the measurement of carbon monoxide (CO) and nitrogen dioxide (NO<sub>2</sub>). Everyone working underground has received a personal CO and NO<sub>2</sub> meter. It is also a requirement for all contractors to have personal gas detectors.

Blasting at the mine takes place around the clock at fixed times when the mine must be completely vacated.

Regular monthly safety briefings are given for all employees and

contractors. In 2012, Dannemora Magnetit is joining forces with the emergency services to develop an action and evacuation plan for the entire Dannemora Magnetit area.

## Skills development

The Board of Dannemora Mineral and the Group companies have solid expertise and experience in the key areas required for running a mining and exploration company. The business requires different skills in mining and geology.

## Training and personal development

All employees undergo training in Bättre Arbetsmiljö (better work environment), hot work, fall protection, CPR (Cardiopulmonary Resuscitation) and SSG.

Employees working underground also undergo internal underground training.

## Our values

### RESPONSIBILITY

Dannemora is a responsible company which cares about the environment and people. The Company takes responsibility that goes beyond what is required by laws and regulations and strives to continuously develop products, companies and practices.

### SIMPLICITY

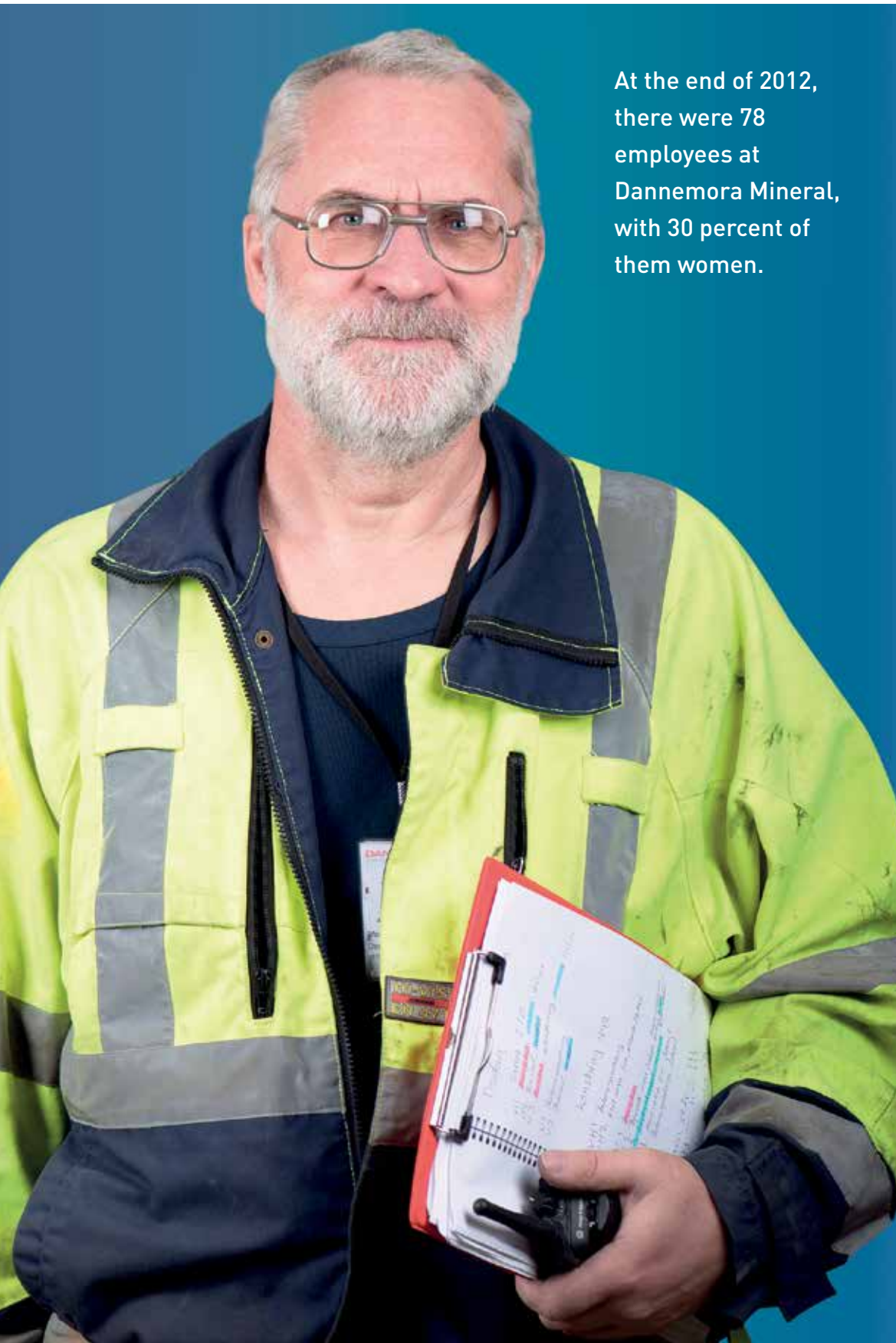
Dannemora Mineral sees simplicity in the organisation, procedures and systems as a platform for conducting sound and efficient operations, where initiative and a desire for improvement are the signposts to success. The Company works with flexibility and expertise, and shows quality in all its enterprises.

### COMMITMENT

Dannemora Mineral has a strong belief in the individual and is convinced that co-determination and respect create proud, confident and committed employees who take responsibility for their own role in the Company's future.

### OPENNESS

Dannemora is a company with a high ceiling – engaging in open, honest and straight forward communication with employees, customers, the market and the community.



At the end of 2012, there were 78 employees at Dannemora Mineral, with 30 percent of them women.



FINANCIAL

# 12

REPORTING



# C O N T E N T S

Board of Directors' Report	52
<b>FINANCIAL STATEMENTS AND NOTES - GROUP</b>	
Statement of Comprehensive Income	58
Statement of financial position	59
Statement of changes in equity	61
Cash flow statement	62
<b>FINANCIAL STATEMENTS AND NOTES - PARENT</b>	
Income statement	63
Balance sheet	64
Statement of changes in equity	66
Cash flow statement	67
<b>NOTES</b>	
Note 1 General information	68
Note 2 Summary of the Group's significant accounting policies	68
Note 3 Financial risk management	71
Note 4 Significant accounting estimates	72
Note 5 Distribution of net sales	72
Note 6 Parent Company's intra-Group sales and purchases	72
Note 7 Remuneration of auditors	72
Note 8 Employee benefits	72
Note 9 Finance income and costs	73
Note 10 Interest income and expense	73
Note 11 Income taxes and tax on profit/loss for the year	73
Note 12 Earnings per share	73
Note 13 Dividend per share	73
Note 14 Intangible assets	74
Note 15 Property, plant & equipment	74
Note 16 Financial assets	75
Note 17 Shares and interests in group companies	75
Note 18 Financial instruments by category	75
Note 19 Inventories	76
Note 20 Trade receivables	76
Note 21 Other receivables	76
Note 22 Prepayments and accrued income	76
Note 23 Cash & cash equivalents	76
Note 24 Share capital and other paid-in capital	76
Note 25 Equity compensation benefits	77
Note 26 Non-current liabilities	77
Note 27 Other provisions	77
Note 28 Other liabilities	77
Note 29 Accruals and deferred income	77
Note 30 Pledged assets	77
Note 31 Contingent liabilities	77
Note 32 Obligations	78
Note 33 Events after the reporting date	78
Board signatures	79
Audit report	80

# Board of Directors' Report

The Board and CEO of Dannemora Mineral AB (publ), reg. no. 556678-3329, herewith submit the annual report for the financial year 1 January – 31 December 2012.

## OPERATIONS IN 2012

Dannemora Mineral AB is a mining and exploration company whose goal is to operate and develop the Dannemora iron ore mine, and to do so with good long-term profitability and under environmentally sustainable conditions. The goal is also to gradually increase the mineral reserves in the Dannemora field by continuous exploration and to gradually develop measured or new deposits of iron ore in other parts of Sweden.

The Dannemora Mineral Group comprises the Parent Company Dannemora Mineral AB and its wholly-owned subsidiaries Dannemora Magnetit AB, which is responsible for operations at the Dannemora mine and the Group's exploration activities, and Dannemora Förvaltnings AB, which is responsible for the property portfolio. The Group also includes the dormant company Dannemora Iron Ore Development AB. Dannemora Mineral AB's class B shares are listed on OMX Stockholm First North and Oslo Axess.

### The Dannemora iron ore mine

April marked the start of commercial operation of the sorting plant at the Dannemora iron ore mine. The goal of an operational start-up for the Company during the second quarter of 2012 was achieved. The schedule for a construction period of one year from the start of construction was also achieved and the project progressed without any major disruptions.

Construction of the permanent water pumping system was completed, as was the railway renovation, access and industrial roads, the terminal for the loading of rail cars and the upgrading of the incoming high-voltage power supply. All crude ore is transported via a new ramp connection to the surface.

Work was carried out to adapt the large terminal facility in Hargshamn and the former ore port area to accommodate the imminent higher volume of ore production. The facility is expected to be completed and taken into operation in April 2013. A temporary, mobile plant is being used until further notice for unloading the railway wagons. Hargshamn AB has received an environmental permit to make a deeper channel into the port, which will mean that larger vessels can be used for the Company's iron ore shipments, thereby allowing lower transport costs per tonne.

Production drilling began in the less rich northern part of the mine where production also started in April and where the main mining of crude ore has taken place. A new production plan for the mine was adopted in the third quarter, which included an increase in the mining of ore from several ore bodies, and August saw the start of mining from new ore bodies with a higher iron content. As a result, the iron content of

### Production

	Jan-Mar 2012	Apr-Jun 2012	Jul-Sept 2012	Oct-Dec 2012	Full year 2012
Produced crude ore, mine (kt)	60	113	274	492	939
ROM crude ore, sorting plant (kt)	-	130	307	451	887
ROM crude ore, sorting plant (Fe %)	-	30	32	34	32
Outcome of finished product (kt)	-	32	81	159	271
Finished product yield, plant (wt %)	-	25	26	35	31
Finished product shipped to customers (kt)	-	18	60	155	233

the run-of-mine raw products has risen, resulting in a higher iron yield and a higher proportion of fines as a finished product. Development of mining ramps has been ongoing in most of the ore bodies.

Initially, production of 500,000 tonnes was planned for 2012, but the running-in of the sorting plant took longer than expected and shortcomings in the process and equipment became apparent. The final production figure for the year was 271,000 tonnes. The production shortfall was due to a longer tuning-in period for the sorting plant than predicted, while mining began with crude ore with a low average iron content. A large number of measures to address the shortcomings were implemented during autumn and winter and these are continuing. Improvements to the crushing and screening processes have been made at the sorting plant and production has gradually increased. During October, staffing at the sorting plant was increased to four shifts.

Part of the action programme involves measures aimed at increasing operational availability, mechanical capacity and the finished product yield. This has produced good effects for the first two areas, although the yield is still too low. The measures have led to the sorting plant reaching full capacity for the intake and processing of crude ore in accordance with the requirements specification, and operational availability has increased. The action programme also includes a smaller number of facility investments that will provide improved separation of saleable products and waste materials and a more even flow of material through the crushers. Operational readiness in the fourth quarter was approx. 75 percent. Operational disruptions caused by scrap metal in run of mine ore and a lack of spare parts had an adverse effect on operational readiness. Further measures to increase operational readiness and finished product yield are scheduled for implementation in the first half of 2013 and will gradually start to produce effects during the year.

In addition to the existing supply contracts signed with Salzgitter Flachstal, Thyssen-Krupp and Stemcor in 2011, the Company added ArcelorMittal, ROGESA Roheisengesellschaft Saar mbH and SSI UK (Sahaviya Steel Industries) to its list of customers in 2012. The collaborations are generally long-term and take the form of framework

agreements. During the year, 70,000 tonnes of iron ore fines and 163,000 tonnes of lump ore were delivered to customers in Europe. By the end of December, a total of 15 loaded vessels had left Hargshamn.

#### Mining exploration

The result of the updated mineral reserve for the Dannemora iron ore mine in 2012 was 34.0 (35.1) million tonnes, which is a decline of 1.1 million tonnes. The iron content in the crude ore is 34.5 (35.3) percent. The entire mineral reserve is classified as probable in accordance with national and international standards based on the Australian JORC Code.

The decrease in the reserve is due to approx. 1.0 million tonnes of ore being mined in 2012 and improved knowledge of the ore boundaries through diamond drilling and drift mapping.

The recently reported mineral reserve estimate was conducted by Daniel Eklund of Dannemora Magnetit, under the supervision of Mining Engineering Thomas Lindholm, GeoVista, who is an independent consultant and Qualified Person.

#### Exploration permits in Bergslagen

Planning for the future development of Riddarhyttan and other fields continued during the year. Dannemora Mineral has applied for an extension of the exploration permits for parts of the Riddarhyttan field by a further three years.

#### Exploration permits and exploitation concession

In addition to an exploitation concession for the Dannemora field covering 176.8 hectares, Dannemora Mineral had 13 exploration permits at the end of the year, covering an area of 5,277 hectares. Five exploration permits expired during the year and five were extended. All the exploration permits and the exploitation concession for the Dannemora field are wholly owned by the Parent Company.

#### Property management

In addition to industrial property, the subsidiary Dannemora Förvaltnings also owns and manages 13 multi-family houses. The occupancy rate during the year was high. With effect from 1 January 2012, all property management is handled by the company.

Cont'd

## Market conditions

During 2012, world steel production increased by 1.2 percent to a new record level. Capacity utilisation fell from the year's high of 83 percent to 74 percent. During the summer, steel prices for hot-rolled coil were at their lowest annual level, but recovered in the fourth quarter. Since mid-November, prices have risen by 8 percent to USD 638/tonne ex-works. Demand for shipped ore is largely governed by demand for steel and the market for both iron ore and steel made a subdued start to 2012.

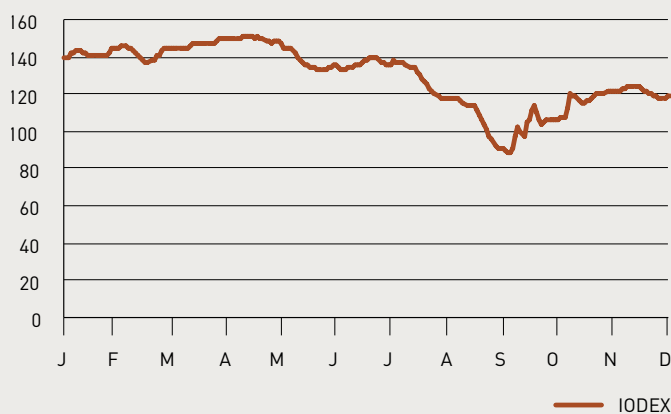
US dollar in 2012



The price of iron ore was extremely volatile during the year, ranging from a low of USD 88/DMT in September to a high of USD 144/DMT at the end of December. Dannemora Mineral's prices are affected by world prices with about a one-quarter lag, which means that the low price level in the second half of the year was reflected in Dannemora's selling prices in the fourth quarter.

Price development in 2012

US dollar/ton



The dollar fell against the Swedish krona, particularly in the latter half of the year. The exchange rate at the end of the quarter was SEK/USD 6.51, which was the lowest rate for the year. Iron ore is priced in dollars and the weaker exchange rate has had an adverse effect on Dannemora's net sales. No currency hedging is conducted at present.

## THE GROUP'S FINANCIAL PERFORMANCE

### Net sales and earnings

Net sales for the financial year amounted to SEK 137.3 (3.1) million. This was mainly attributable to iron ore product sales of SEK 134.2 (-) million, with rental income accounting for the remainder. Profit/loss after net financial items during the same period amounted to SEK -240.8 (-118.2) million. Net financial items include foreign exchange gains of SEK 47.0 (-77.4) million.

### Investments

Investments amounted to SEK 435.7 (486.9) million. These were distributed as follows: work in progress 428.7 (477.9) million, land & buildings 0.4 (0.1) million, plant & machinery 4.1 (2.3) million, exploration & evaluation 0.1 (5.0) million and licences 2.4 (1.6) million.

### Liquidity

The Group's cash & cash equivalents at the end of the year were SEK 152.0 (628.8) million, while the Parent Company's cash & cash equivalents ended the year on SEK 72.7 (429.7) million. Cash flow from operating activities in 2012 amounted to SEK -227.2 (-22.9) million. Cash flow from investing activities was SEK -474.5 (-430.3) million and cash flow from financing activities was SEK 230.6 (-859.7) million, which meant that cash flow for the period ended on SEK -471.1 (406.6) million.

### Financing

The Group's interest-bearing liabilities at 31 December 2012 amounted to USD 990.3 (830.8) million, of which SEK 781.9 (830.8) million relates to the bond issue and SEK 136.0 (-) million to convertible debt. Other interest-bearing liabilities refer to financial leases. The five-year secured bond issue is not subject to amortisation and has call options after two, three or four years at prices of 106, 104 and 102 percent. The coupon rate is 11.75 percent. The loan is due for repayment in March 2016.

The loan of SEK 136 million is attributable to an issue of convertible bonds. The issue, which was implemented in November without preferential rights for shareholders, was a private placement targeting a small group of investors. In total, 3.4 million convertible bonds were subscribed for, each with a nominal value of SEK 40.00. The issue brought the Company a total of SEK 136 million before issue expenses. The convertible bonds carry an annual interest rate of 11.75 percent and expire on 30 November 2015. The conversion price is SEK 40.00. Upon full conversion, Dannemora will issue 3,400,000 class B shares. The newly issued shares will increase share capital by SEK 544,000 and represent 18.1 percent of the capital and 11.5 percent of the votes based on the present number of shares outstanding.

A private placement, mainly targeting Norwegian and other foreign investors, was completed in March. The placement brought the Company SEK 103.5 million before issue expenses. The issue was completed with a subscription of 133 percent. A total of 1,500,000 class B shares were subscribed for at a price of SEK 69.00 per share. The subscription price was 4 percent higher than the average closing price for the Company's share based on the 10 most recent trading days on the Stockholm Stock Exchange.

### Equity

Consolidated equity ended the period on SEK 273.7 (406.2) million, which corresponds to SEK 17.82 (29.3) per share. The equity/assets ratio was 19.9 (30.4) percent.

### Future prospects

Demand from Dannemora's customers is good and a market for the products is essentially secured through agreements with a number of European groups. As the crude ore capacity is good, the mine is not expected to have any limits to the production of finished products.

The sorting plant is still undergoing fine-tuning, and measures to eliminate operational disruptions are being implemented. This, together with an expansion to five shifts, will lead to increased production capacity. The finished product yield will increase due to the improvement and expansion of the refining process. The action programme is initially expected to involve investments of SEK 30 million in 2013 and SEK 80 million in 2014.

To increase the yield further, the possibility of adding an extra processing step in the sorting plant is being investigated. This is to reduce losses of metal in the waste product. It is not possible to calculate the investment cost for this extra processing step in the current situation. To date this year, the Company has implemented savings measures of approx. SEK 40 million for 2013 and aims to implement additional savings corresponding to SEK 25 million on an annual basis.

The ongoing adjustments to the existing process and the implementation of phase two of the investment programme will enable the finished product yield to increase. At the beginning of the second quarter, yield improvements were noted. This indicates that the implemented measures have had the intended effect.

Information on the Company's risks and uncertainties can be found in the Risk analysis on pages 18-19 and in Note 3, Financial risk management, on page 71.

## SUSTAINABLE DEVELOPMENT

Dannemora conducts activities subject to permit under the Swedish Environmental Code. The main factors having an impact on the environment are landscape changes resulting from mining, emissions to water and air from ore processing, dust, noise, vibration and operational energy consumption.

Dannemora Mineral's overall policy is to ensure safe, environmentally friendly and profitable development of the Company's operations by constantly improving the working and external environments, energy consumption, personnel policy and product quality. A total quality approach will permeate all activities, including the Company's health, safety and environment initiatives.

### Employees

The average number of employees during the year was 63 (20), of whom 20 (5) were women. At the end of the year, the number of employees was 78, of whom 23 were women.

## CORPORATE GOVERNANCE

On 10 May 2010, the Board of Dannemora Mineral decided to report the Company's corporate governance in accordance with the Swedish Code of Corporate Governance (the Code). The Company did not report any derogations from the Code during the year. The corporate governance report has been reviewed by the Company's auditors. Their opinions are an integral part of the audit report.

### Share information

The number of shares in Dannemora Mineral after the new share issue in April 2013 was 34,560,900, divided into 1,200,000 class A shares and 33,360,900 class B shares. Each share has a par value of SEK 0.16. Class A shares carry 10 votes per share, while B shares carry one vote per share. All shares carry equal entitlement to a share of the company's assets and earnings. The Company's share capital amounts to SEK 5,529,744.

Under the articles of association, the Company must have a share capital of at least SEK 1,600,000 and no more than SEK 6,400,000. This corresponds to a minimum of 10,000,000 shares and a maximum of 40,000,000 shares.

The annual general meeting of Dannemora Mineral on 8 May 2012 adopted a Board mandate to issue up to 1.5 million class B shares without preferential rights for shareholders.

There are no rules in Swedish law or Dannemora Mineral's articles of association that would limit the ability to transfer shares in Dannemora. The Company is not aware of any agreements between shareholders which might result in restrictions on the right to transfer shares. There is no agreement to which the Company is a party that would be affected, amended or cease to apply if control of the Company changed as a result of a public offer.

### Annual General Meeting

The general meeting of shareholders, which is the Company's highest decision-making body, gives shareholders the opportunity to exercise their influence. Dannemora Mineral's general meeting is held annually and is open to all shareholders. The annual general meeting of shareholders makes decisions on the election of Board members, Chairman of the Board and auditor, the adoption of the income statement and balance sheet, allocation of the Company's profit or loss, discharge of Board members and the CEO from liability and fixing of Board and auditor fees.

The 2012 Annual General Meeting was held on 8 May in Stockholm. The meeting voted to re-elect Nils Bernhard, Nils Sandstedt, Lennart Falk, Christer Lindberg, Stefan Månsson and Robert Eek to the Board and to elect Jarmo Tonteri as a new Board member. Niklas Nordström had declared himself unavailable for re-election. Nils Bernhard was re-elected as Chairman of the Board. The meeting's other decisions included:

- Board fees of SEK 300,000 to the Chairman and SEK 100,000 to each of the other Board members, with a further SEK 600,000 allocated to the Board to cover the Deputy Chairman's fees and committee work.
- Audit fees to be paid on approved account.
- Adoption of the consolidated income statement and statement of financial position and the Parent Company's income statement and balance sheet
- The discharging of members of the Board and the CEO from personal liability
- A Board a mandate to issue up to 1.5 million class B shares on one or more occasions in the period up to the next annual general meeting, with or without preferential rights for shareholders.

## Nomination Committee

The AGM decides on principles for the appointment of the nomination committee and its work. In accordance with the nomination committee instructions adopted by the Annual General Meeting, the committee shall consist of one representative from each of the four largest shareholders (in votes) and the chairman, who acts as the convener. If the chairman is one of the four principal shareholders, the nomination committee shall consist of a representative from each of the five largest shareholders (in votes), including the chairman.

The task of the nomination committee is to prepare proposals for the AGM. The proposals relate to the election and composition of the Board, the Chairman of the Board, fees paid to individual Board members and auditors, and guidelines for the appointment of a nomination committee prior to the next AGM.

The nomination committee consists of Michael Rosenlew (chairman), Nils Bernhard, Alexander Shaps (representing Shaps Capital AB), Per-Uno Sandberg and Lennart Falk. The composition has been published on the Company's website, which also provides information on the procedure for submission of proposals to the nomination committee by shareholders.

The nomination committee met on five occasions. The focus of the committee's work has been to define an appropriate expertise mix for the Board and to identify individuals who might complement the Board's expertise.

## Board of Directors

Under the Company's articles of association, the Dannemora Mineral Board shall consist of no fewer than three and no more than seven members elected by the Annual General Meeting to serve until the next AGM. The Chairman is appointed by the AGM.

### Composition of the Board

the Dannemora Mineral Board has consisted of seven members, with no deputies. The members of the Board are presented on page 14. Detailed information about attendance at meetings and independence/non-independence is shown in the table below. The Board of Dannemora Mineral has the expertise and experience required to support, monitor and control activities in a mining and exploration company. Board members' areas of expertise include geology, mining, mineral dressing, licence and permit management, corporate development, the metal and steel industry and financing.

### Responsibility of the Board and Chairman

The Board is appointed by Dannemora Mineral's owner to assume ultimate responsibility for the organisation and management of the Company's affairs. At the inaugural Board meeting following the AGM, the Board adopts rules of procedure which regulate in detail its work and responsibility and the specific duties of the Chairman. The division of work between the Board and the CEO is defined in the written set of instructions for the CEO which is adopted by the Board at the same meeting. The Board has appointed a special remuneration committee.

The Chairman leads the Board's work and monitors the Company's operations by maintaining continuous dialogue with its CEO. The Board

receives monthly reports and at Board meetings it is provided with information about the Company's economic and financial situation. Prior to each Board meeting, the Chairman and CEO go through the issues to be considered in the meeting. Support material is sent to Board members approx. one week before each Board meeting.

### The Board's work in 2012

The Board held 14 meetings from the end of the 2012 AGM 2012 to 31 March 2013. The Company's CEO and CFO (also Board Secretary) attend regular Board meetings. Other members of Group management attend in a reporting capacity.

### Board – composition and attendance in 2012

Member	Elected	Fees	Meetings attended	Independent of company/major shareholders
Nils Bernhard, Chairman	2005	325,000*	14/14	Yes/No
Nils Sandstedt, Deputy Chairman	2006	200,000	14/14	Yes/Yes
Lennart Falk	2005	100,000	12/14	No/No
Christer Lindberg	2006	125,000*	14/14	Yes/Yes
Robert Eek	2011	100,000	4/14	Yes/Yes
Stefan Månsson	2011	100,000	12/14	Yes/Yes
Jarmo Tontter	2012	100,000	10/14	Yes/Yes

\*) includes remuneration committee fees of 25,000

### Evaluation of the Board's work

The Chairman ensures the Board and its work is evaluated annually.

### Remuneration of key management personnel

The Board has appointed a remuneration committee which is tasked with determining the remuneration and other terms of employment for the CEO in accordance with the Board's guidelines. The remuneration committee approves proposals from the CEO regarding key management personnel's remuneration and other terms of employment.

The CEO and other key management personnel only receive fixed pay. No termination benefits have been agreed over and above the normal period of notice of six months. Salaries and remuneration for the financial year 2012 are reported in Note 8 on page 72.

The Annual General Meeting on 8 May 2012 adopted guidelines for remuneration for senior executives as set out below.

The guidelines are aimed at ensuring that the Dannemora Mineral AB Group is able to offer market-based and competitive remuneration that will attract and retain qualified employees. Remuneration of Group management should be a well-balanced compensation and benefits arrangement that reflects the individual's performance and responsibility and the Group's financial performance.

The fixed salary, which is individual and differentiated on the basis of the individual's responsibility and performance, is determined according to market principles and is revised annually. There shall also be an opportunity to receive variable pay. This will be conditional on individuals meeting annually defined targets relating to the Company's results and measurable goals in the individual's area of responsibility. Variable

pay shall amount to a maximum of 30 percent of the fixed annual salary. Group management's other benefits shall correspond to what is considered reasonable in the context of market practice. The period of notice shall be a maximum of six months. No termination benefits shall be paid on termination of employment. The Board shall be entitled to derogate from the guidelines adopted by the AGM in an individual case if there are special reasons to do so.

Key management personnel covered by the proposal comprise the CEO and other members of Group management.

A proposal for adoption of guidelines for key management personnel has been submitted prior to the AGM on 30 May 2013. The proposed guidelines are unchanged from those agreed at the 2012 AGM

### Group management

The CEO is responsible for the day-to-day management of the Company and Group in accordance with a set of CEO instructions and guidelines drawn up by the Board. The CEO leads Group management's work. In addition to the CEO, Group management consists of the Managing Director of the subsidiary Dannemora Magnetit, who is responsible for mining operations, the Marketing and Logistics Manager, the CFO and the HR and Communications Manager. A presentation of Group management can be found on page 21.

Group management is preparing proposals for a business plan and budget which the CEO will present to the Board for approval. Group Management holds regular meetings which include a review of operations.

### Internal controls

The Board has overall responsibility for ensuring Dannemora Mineral has effective internal controls. The CEO is responsible for ensuring there are good internal controls and formalised procedures which guarantee that external financial reporting is reliable and conducted in accordance with generally accepted accounting principles, applicable laws and other requirements for listed companies.

The Company has a simple legal and operational structure in which the Board continually monitors the Company's internal controls in connection with external and internal financial reporting. Consequently, the Board has chosen not to establish a special function for internal control.

The finance function at the Parent Company is responsible for risk analysis with regard to financial reporting and, in this context, carries out regular control activities for the purpose of managing known risks and identifying and correcting any errors in the financial reporting.

### Auditors

The auditor's task is to examine the Company's annual financial statements and accounting and to review the management of the Company by the Board and CEO. After each financial year, the auditors submit an audit report to the annual general meeting. Dannemora Mineral's auditor is Öhrlings PricewaterhouseCoopers. The Chief Auditor is Annika Wedin, who is an authorised public accountant. Öhrlings PricewaterhouseCoopers are the Company's appointed auditors until the end of the 2013 AGM.

## SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING DATE

In February, the Dannemora Mineral announced that the logistics system was now fully developed for the planned delivery of 1.5 million tonnes of iron ore. In connection with the press release, Dannemora also reported that 23 iron ore deliveries have been made since the start of production, six of them in February.

At an Extraordinary General Meeting held on 21 January 2013, it was decided to amend the conditions for the outstanding convertible bonds. The amendment involves the introduction of a provision allowing an adjustment of the conversion price. The proposed amendment is in keeping with international standards on convertible debt.

On 15 February, The Board decided to conduct a fully guaranteed rights issue of SEK 211 million before issue costs.

An update of the mineral reserves was reported in March and showed a decrease in tonnage from 35.1 to 34.0 million tonnes.

On 20 March, it was announced that Ralf Nordén, who had been acting CEO since December 2012, would become the permanent CEO of Dannemora Mineral on 15 June 2013. At the same time, it was announced that the dormant subsidiary Dannemora Prospektering was being renamed Dannemora Iron Ore Development and that the majority of the relevant exploration permits would be transferred to the company.

## PROPOSED DISTRIBUTION OF EARNINGS

The Board proposes to the annual general meeting that no dividend be paid for the 2012 financial year.

The following amounts are at the disposal of the annual general meeting (amounts in SEK)

Share premium reserve	739,124,840
Retained earnings	-517,510,257
Profit/loss for the year	-67,121,061
	<b>154,493,522</b>

The Board proposes that the profit of SEK 154,493,522 be carried forward.

### Annual General Meeting

The Annual general meeting will be held on 30 May 2013 in Stockholm. The Swedish version of the annual report is available on the website [www.dannemoramineral.se](http://www.dannemoramineral.se) from 29 April.

SEK thousands

	Note	2012	2011
Net sales	5	<b>137,293</b>	3,131
Changes in inventories	19	<b>12,112</b>	-
Other external costs	7	<b>-295,568</b>	-32,059
Personnel expenses	8	<b>-48,423</b>	-20,988
Depreciation, amortisation and impairment of assets	14, 15	<b>-33,724</b>	-3,081
<b>Operating profit/loss</b>		<b>-228,310</b>	-52,997
Finance income	9	<b>53,155</b>	20,035
Finance costs	9	<b>-65,682</b>	-85,198
Net financial items	9	<b>-12,527</b>	-65,163
<b>Profit/loss before tax</b>		<b>-240,837</b>	-118,160
Income tax	11	<b>-18</b>	-16
<b>Profit/loss for the year</b>		<b>-240,855</b>	-118,176
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>-240,855</b>	-118,176
<b>Profit/loss for the year and total comprehensive income attributable to:</b>			
Owners of the Parent		<b>-240,855</b>	-118,176
<b>Earnings per share, based on profit/loss attributable to owners of the Parent during the year (in SEK)</b>			
Earnings per share before dilution	12	<b>-16.13</b>	-8.82
Earnings per share after dilution		<b>-16.13</b>	-8.82

The notes on pages 68 to 78 are an integral part of these consolidated financial statements.

SEK thousands

	Note	31/12/2012	31/12/2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	14		
Exploration and evaluation assets, Dannemora		34,999	37,276
Other exploration and evaluation assets		3,486	3,425
Licences		3,753	1,621
<b>Total intangible assets</b>		<b>42,238</b>	42,322
<b>Property, plant &amp; equipment</b>	15		
Land and buildings		432,973	17,156
Plant and machinery		328,294	1,129
Equipment, tools and fixtures & fittings		9,828	1,125
Work in progress		353,639	606,229
<b>Total property, plant &amp; equipment</b>		<b>1,124,734</b>	625,639
Financial assets	16	2,324	2,123
<b>Total financial assets</b>		<b>2,324</b>	2,123
<b>Total non-current assets</b>		<b>1,169,296</b>	670,084
<b>Current assets</b>			
Inventories	19	20,242	8,130
Trade receivables	20	8,071	121
Other receivables	21	16,434	19,164
Prepayments and accrued income	22	10,392	11,037
Cash & cash equivalents	23	152,049	628,836
<b>Total current assets</b>		<b>207,188</b>	667,288
<b>TOTAL ASSETS</b>		<b>1,376,484</b>	1,337,372

The notes on pages 68 to 78 are an integral part of these consolidated financial statements.

SEK thousands

	Note	31/12/2012	31/12/2011
<b>EQUITY</b>			
<b>Equity attributable to owners of Parent</b>	24		
Share capital		<b>2,458</b>	2,218
Other paid-in capital		<b>740,203</b>	632,111
Retained earnings, incl. comprehensive income for the year		<b>-468,942</b>	-228,087
<b>Total equity</b>		<b>273,719</b>	406,242
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowing	26	<b>941,929</b>	800,039
<b>Total non-current liabilities</b>		<b>941,929</b>	800,039
<b>Current liabilities</b>			
Trade payables		<b>89,242</b>	69,833
Other liabilities	28	<b>28,573</b>	15,619
Other provisions	27	<b>242</b>	242
Accruals and deferred income	29	<b>42,779</b>	45,397
<b>Total current liabilities</b>		<b>160,836</b>	131,123
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,376,484</b>	1,337,372

The notes on pages 68 to 78 are an integral part of these consolidated financial statements.

SEK thousands	Attributable to owners of Parent				Total equity
	Note	Share capital	Other paid-in capital	Retained earnings	
<b>Opening balance, 1 Jan 2011</b>		<b>1,898</b>	<b>487,733</b>	<b>-109,911</b>	<b>379,720</b>
<b>Comprehensive income</b>					
Profit/loss for the year				-118,176	-118,176
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-118,176</b>	<b>-118,176</b>
<b>Owner transactions</b>					
Private placement	24	320	149,680		150,000
Issue expenses	24		-5,302		-5,302
<b>Total owner transactions</b>		<b>320</b>	<b>144,378</b>	<b>-</b>	<b>144,698</b>
<b>Closing balance, 31 Dec 2011</b>		<b>2,218</b>	<b>632,111</b>	<b>-228,087</b>	<b>406,242</b>
<b>Opening balance, 1 Jan 2012</b>		<b>2,218</b>	<b>632,111</b>	<b>-228,087</b>	<b>406,242</b>
<b>Comprehensive income</b>					
Profit/loss for the year				-240,855	-240,855
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-240,855</b>	<b>-240,855</b>
<b>Owner transactions</b>					
Private placement	24	240	103,260		103,500
Issue expenses	24		-4,766		-4,766
Convertible loan, option portion	24		9,598		9,598
<b>Total owner transactions</b>		<b>240</b>	<b>108,092</b>	<b>-</b>	<b>108,332</b>
<b>Closing balance, 31 Dec 2012</b>		<b>2,458</b>	<b>740,203</b>	<b>-468,942</b>	<b>273,719</b>

The notes on pages 68 to 78 are an integral part of these consolidated financial statements.

SEK thousands

	Note	2012	2011
<b>Operating activities</b>			
Operating profit/loss before financial items		-228,310	-52,997
Depreciation of property, plant & equipment	15	33,697	637
Impairment of intangible assets	14	27	2,444
Interest received		4,888	12,443
Interest paid		-63,832	-227
Other non-cash items		-4	1
<b>Cash flow from operating activities</b>			
<b>before changes in working capital</b>		<b>-253,534</b>	<b>-37,699</b>
<b>Cash flow from changes in working capital</b>			
Increase/decrease in inventories		-12,112	-8,130
Increase/decrease in current receivables		-4,603	-9,678
Increase/decrease in trade payables		47,999	-10,619
Increase/decrease in other current liabilities		-4,975	43,225
<b>Total changes in working capital</b>		<b>26,309</b>	<b>14,798</b>
<b>Cash flow from operating activities</b>		<b>-227,225</b>	<b>-22,901</b>
<b>Investing activities</b>			
Investments in intangible assets		-3,019	-6,151
Investments in property, plant & equipment		-471,261	-421,574
Investments in financial assets		-201	-2,536
<b>Cash flow from investing activities</b>		<b>-474,481</b>	<b>-430,261</b>
<b>Financing activities</b>			
Private placement		98,735	144,698
Proceeds from borrowings		131,890	715,041
<b>Cash flow from financing activities</b>		<b>230,625</b>	<b>859,739</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-471,081</b>	<b>406,577</b>
Cash & cash equivalents at beginning of year		628,836	212,134
Exchange differences		-5,706	10,125
Cash & cash equivalents at end of year		152,049	628,836

The notes on pages 68 to 78 are an integral part of these consolidated financial statements.

SEK thousands

	Note	2012	2011
Net sales	5,6	<b>19,834</b>	5,817
Other external costs	7	<b>-29,711</b>	-12,569
Personnel expenses	8	<b>-13,002</b>	-10,380
Depreciation, amortisation and impairment of assets	14, 15	<b>-1,812</b>	-2,615
<b>Operating profit/loss</b>		<b>-24,691</b>	-19,747
Other interest and similar income	10	<b>63,825</b>	25,229
Interest and similar expense	10	<b>-106,255</b>	-161,683
Net financial items	10	<b>-42,430</b>	-136,454
<b>Profit/loss after financial items</b>		<b>-67,121</b>	-156,201
Tax on profit/loss for the year	11	-	-
<b>Profit/loss for the year</b>		<b>-67,121</b>	-156,201
<b>Statement of Comprehensive Income, Parent</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>-67,121</b>	-156,201

The notes on pages 68 to 78 are an integral part of these consolidated financial statements.

SEK thousands

	Note	31/12/2012	31/12/2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalised expenditure on exploration and evaluation assets	14	19,817	21,014
Licences	14	3,262	1,232
Total intangible assets		23,079	22,246
<b>Property, plant &amp; equipment</b>			
Plant and machinery	15	54	174
Equipment, tools and fixtures & fittings	15	258	355
Total property, plant & equipment		312	529
<b>Financial assets</b>			
Shares in Group companies	17	300	300
Other non-current receivables	16	124	123
Total financial assets		424	423
<b>Total non-current assets</b>		<b>23,815</b>	23,198
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies	21	963,574	686,663
Other receivables	21	166	1,374
Prepayments and accrued income	22	19,010	10,728
Total current receivables		982,750	698,765
Cash & cash equivalents	23	72,662	429,748
<b>Total current assets</b>		<b>1,055,412</b>	1,128,513
<b>TOTAL ASSETS</b>		<b>1,079,227</b>	1,151,711

The notes on pages 68 to 78 are an integral part of these consolidated financial statements.

SEK thousands

	Note	31/12/2012	31/12/2011
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		2,458	2,218
Statutory reserve		1,078	1,078
<b>Total restricted equity</b>		<b>3,536</b>	3,296
<b>Unrestricted equity</b>			
Share premium reserve		739,125	631,033
Retained earnings		-517,511	-156,533
Profit/loss for the year		-67,121	-156,201
<b>Total unrestricted equity</b>		<b>154,493</b>	318,299
<b>Total equity</b>		<b>158,029</b>	321,595
<b>Non-current liabilities</b>			
Borrowing	26	881,190	799,687
<b>Total non-current liabilities</b>		<b>881,190</b>	799,687
<b>Current liabilities</b>			
Trade payables		9,105	1,872
Liabilities to Group companies	28	93	91
Other liabilities	28	1,690	706
Accruals and deferred income	29	29,120	27,760
<b>Total current liabilities</b>		<b>40,008</b>	30,429
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>1,079,227</b>	1,151,711
Pledged assets	30	4,088	100,812
Contingent liabilities	31	13,000	13,000

The notes on pages 68 to 78 are an integral part of these consolidated financial statements.

## STATEMENT OF CHANGES IN EQUITY, PARENT

SEK thousands	Restricted equity		Unrestricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
<b>Opening balance, 1 Jan 2011</b>	<b>1,898</b>	<b>1,078</b>	<b>486,655</b>	<b>-99,962</b>	<b>-9,920</b>	<b>379,749</b>
Distribution of earnings as adopted by the annual general meeting:						
Carried forward				-9,920	9,920	-
Private placement	320		149,680			150,000
Issue expenses			-5,302			-5,302
Group contributions received				1		1
Group contributions paid				-46,652		-46,652
Profit/loss for the year					-156,201	-156,201
<b>Closing balance, 31 Dec 2011</b>	<b>2,218</b>	<b>1,078</b>	<b>631,033</b>	<b>-156,533</b>	<b>-156,201</b>	<b>321,595</b>
<b>Opening balance, 1 Jan 2012</b>	<b>2,218</b>	<b>1,078</b>	<b>631,033</b>	<b>-156,533</b>	<b>-156,201</b>	<b>321,595</b>
Distribution of earnings as adopted by the annual general meeting:						
Carried forward				-156,201	156,201	-
Private placement	240		103,260			103,500
Issue expenses			-4,766			-4,766
Group contributions paid				-204,777		-204,777
Convertible loan, option portion			9,598			9,598
Profit/loss for the year					-67,121	-67,121
<b>Closing balance, 31 Dec 2012</b>	<b>2,458</b>	<b>1,078</b>	<b>739,125</b>	<b>-517,511</b>	<b>-67,121</b>	<b>158,029</b>

The notes on pages 68 to 78 are an integral part of these consolidated financial statements.

SEK thousands

	Note	2012	2011
<b>Operating activities</b>			
Operating profit/loss before financial items		-24,691	-19,747
Depreciation of property, plant & equipment		1,804	171
Impairment of intangible assets	14	8	2,444
Dividend received		1	1
Interest received		3,511	17,609
Interest paid		-97,652	-49,841
Other non-cash items		77	-
<b>Cash flow from operating activities</b>			
<b>before changes in working capital</b>		<b>-116,942</b>	<b>-49,363</b>
<b>Cash flow from changes in working capital</b>			
Increase/decrease in current receivables		-271,966	-540,726
Increase/decrease in trade payables		7,233	273
Increase/decrease in other current liabilities		1,839	363
<b>Total changes in working capital</b>		<b>-262,894</b>	<b>-540,090</b>
<b>Cash flow from operating activities</b>		<b>-379,836</b>	<b>-589,453</b>
<b>Investing activities</b>			
Investments in intangible assets		-2,437	-6,145
Investments in property, plant & equipment		-68	-449
Investments in financial assets		3,858	-2,536
<b>Cash flow from investing activities</b>		<b>1,353</b>	<b>-9,130</b>
<b>Financing activities</b>			
Private placement		98,735	144,690
Proceeds from borrowings		131,890	714,688
Group contributions received/paid		-204,777	-46,643
<b>Cash flow from financing activities</b>		<b>25,848</b>	<b>812,735</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-352,635</b>	<b>214,152</b>
Cash & cash equivalents at beginning of year		429,748	205,471
Exchange differences		-4,451	10,125
Cash & cash equivalents at end of year		72,662	429,748

The notes on pages 68 to 78 are an integral part of these consolidated financial statements.

## NOTE 1 GENERAL INFORMATION

Dannemora Mineral AB is a mining and exploration company of which the primary activity is mining operations in the Dannemora iron ore mine. The Company also aims to engage 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 Group 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 Dannemora Förvaltnings AB, which is responsible for the property portfolio. Until the end of 2008, the Group's exploration activities were conducted in the wholly-owned subsidiary Dannemora Iron Ore Development AB. The company has been dormant with effect since then.

The Parent Company is a Swedish public limited liability company with its registered office in the municipality of Östhammar. The visiting address of the Head Office is Svärdvägen 13, 182 33 Danderyd.

On 26 April 2013, the Board approved the consolidated annual financial statements and Parent Company's annual financial statements for publication.

All amounts are reported in SEK thousands unless otherwise stated. Information in parentheses relates to the previous year.

## NOTE 2 SUMMARY OF THE GROUP'S SIGNIFICANT ACCOUNTING AND MEASUREMENT POLICIES

### BASIS OF PREPARATION

Dannemora Mineral AB Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act.

The consolidated annual financial statements have been prepared in accordance with the cost method. The most important accounting policies applied in preparing the consolidated financial statements are described below. These policies have been applied consistently for all presented years unless otherwise stated.

The Parent Company's annual financial statements have been prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. A description of cases where the Parent Company applies different accounting policies from those applied by the Group can be found at the end of this note.

Preparation of reports in accordance with IFRS requires use of a number of significant accounting estimates. In addition, management is required to make certain judgements when applying the Group's accounting policies. Information about areas which are complex or involve a high proportion of assumptions and estimates, or areas where accounting estimates are of key significance to the consolidated financial statements, can be found in Note 4.

None of the IFRS or IFRIC interpretations that are mandatory for financial periods beginning on or after 1 January 2012 has had a significant impact on the Group.

During preparation of the consolidated annual financial statements at 31 December 2012, there were a number of standards, amendments and interpretations of existing standards which had not yet come into force. Dannemora Mineral decided against early application of these standards, amendments and interpretations. There follows a preliminary assessment of the effects of the standards considered relevant to Dannemora Mineral.

- IAS 1 "Presentation of Financial Statements" has had some amendments with regard to other comprehensive income. The most significant of these is the requirement that the items recognised in OCI will be presented in two groups. The two categories make a distinction between items that may be reclassified to profit or loss (reclassification adjustments) and those that may not.

The amendment does not address the question of which items are included in OCI. The Group will apply the new standard in the financial year beginning 1 January 2013.

- IFRS 9 "Financial Instruments" deals with the classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities and supersedes the parts of IAS 39 related to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two categories: measurement at fair value and measurement at amortised

cost. Classification is determined at initial recognition based on the Company's business model and the characteristics of contractual cash flows. For financial liabilities, there are no major changes compared with IAS 39. The biggest change relates to liabilities that are designated at fair value. For these liabilities, the portion of the fair value change that is attributable to an entity's own credit risk shall be recognised in other comprehensive income rather than profit or loss, unless this causes an accounting mismatch. The Group intends to apply the new standard no later than the financial year beginning 1 January 2015 and has not yet evaluated its effects. The Group will evaluate the effects of the remaining phases of IFRS 9 when they are completed by the IASB.

- IFRS 13 "Fair Value Measurement" provides more consistent and less complex measurement of fair value. The standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard provides guidance for fair value measurement for all types of assets and liabilities, both financial and non-financial. IFRS 13 does not determine when an asset or liability is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value. The Group will apply the new standard in the financial year beginning 1 January 2013.

### BASIS OF CONSOLIDATION

The consolidated financial statements comprise the Parent Company and all companies over which it has direct or indirect control. Control is the power to govern the financial and operating policies of an enterprise, normally by owning more than 50% of the shares or votes. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group's acquisitions of subsidiaries are accounted for in accordance with the acquisition method. The purchase consideration for the acquisition of a subsidiary comprises the fair value of the assets acquired, liabilities assumed and shares issued by the Group. It also includes the fair value of all assets or liabilities under a contingent consideration arrangement. Acquisition-related costs are recognised as an expense when incurred. Identifiable acquired assets and assumed liabilities in a business acquisition are measured initially at their fair value on the acquisition date. The Group decides, on an acquisition-by-acquisition basis, whether to measure the non-controlling interest in the entity acquired at fair value or at the non-controlling interest's proportionate share of the net assets of the entity acquired.

Goodwill is measured as the difference between:

- the aggregate of the purchase consideration transferred, the amount of any NCI and the acquisition-date fair value of the previously-held equity interest; and
- the fair value of the identifiable assets acquired and liabilities assumed. If the difference above is negative, the resulting gain is recognised as a bargain purchase in the statement of comprehensive income.

Intra-group transactions and balances, and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated, although these are often an indication of impairment. The accounting policies for subsidiaries have been amended where necessary, in order to ensure consistent application of the Group's policies.

### SEGMENT REPORTING

Dannemora Mineral is mainly active in one operating segment, namely the production and processing of iron ore products. Consequently, Dannemora Mineral's identified operating segment is the same as the reporting to the Board for the Group as a whole.

### FOREIGN CURRENCY TRANSLATION

#### Functional currency and reporting currency

The Swedish krona (SEK) is the functional currency and reporting currency of the Group's companies.

#### Transactions and balance sheet items

Transactions in foreign currency are translated into the functional currency according to the exchange rates prevailing at the date of the transaction. Exchange gains and losses arising on settlement of these transactions and on translation of foreign currency trade receivables and payables using the closing rate are recognised in operating profit/loss in the income statement.

Exchange gains and losses arising from loans and cash & cash equivalents are recognised in the income statement under finance income and finance costs.

## INTANGIBLE ASSETS

### Capitalised expenditure on exploration and evaluation assets

Expenditure on exploration for and evaluation of mineral resources is accounted for in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources. Exploration and evaluation assets are measured at cost, and expenses relate to all expenditure directly attributable to those activities. Capitalised exploration and evaluation expenses include expenditure on geological and technical studies, exploratory drilling and laboratory analyses. From the start of commercial mining operations, capitalised development expenditure attributable to the Dannemora mine is reported in accordance with IAS 38 Intangible Assets. Amortisation of development expenditure attributable to the Dannemora mine is applied over the life of the mine, which at the reporting date was estimated at 10 years, and is based on the amount of ore produced in relation to the amount remaining to be mined. There is no amortisation of exploration and evaluation assets that have not been taken into commercial operation.

Impairment losses on exploration and evaluation assets are recognised when facts and circumstances indicate that the carrying amount of the assets may exceed their recoverable amount. Impairment losses are recognised in the income statement.

### Licences

Licences acquired separately are reported at cost. The item licences in the balance sheet includes licence fees and implementation costs for business, maintenance and payroll systems. Licences have a finite useful life and are recognised at cost. Since their implementation in April 2012, they are recognised at cost less accumulated amortisation. Amortisation is applied on a straight-line basis over their estimated useful life, which is 10 years.

## PROPERTY, PLANT & EQUIPMENT

Items of property, plant & equipment are recognised at cost less depreciation, apart from work in progress for which depreciation has not yet commenced. Cost includes expenses directly attributable to the acquisition of an asset. Work in progress comprises expenditure on ramp placement, shaft work and other plant & equipment investments.

Subsequent expenditure is added to the asset's carrying amount or reported as a separate asset (whichever is more suitable) only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced component is derecognised. All other types of repair and maintenance are recognised as an expense in the income statement in the period in which they arise.

Land is not depreciated. Depreciation of building inventories and construction directly attributable to the mine, such as underground ramps and the sorting plant building, is applied over the life of the mine, which at the reporting date was estimated at 10 years, and is based on the amount of ore produced in relation to the amount remaining to be mined. Other assets are systematically depreciated down to the estimated residual value over their estimated useful life. Depreciation is applied on a straight-line basis as follows:

Computers	3 years
Plant and machinery	5-10 years
Equipment, tools and fixtures & fittings	5 years
Buildings	10-50 years

The residual values and useful lives of the assets are reviewed on each reporting date and adjusted as required. If an asset's carrying amount exceeds its estimated recoverable amount, an impairment loss is recognised and the asset's carrying amount is written down to its estimated recoverable amount.

Gains and losses on the disposal of assets are determined by comparing sales income and the carrying amount, and are reported under other operating income or other external costs in the income statement. The Group did not report any gains on disposal of assets in 2012 or 2011.

### IMPAIRMENT OF PROPERTY, PLANT & EQUIPMENT

Items of property, plant & equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For impairment testing, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash generating units). Impairment losses are recognised in the income statement. Items of property, plant & equipment for which impairment losses have

previously been recognised are tested for possible reversal of impairment at the end of each reporting period.

### INVENTORIES

Products in progress consist of direct production costs for the production of crude ore and are measured at cost. Finished products are measured at the production cost including a reasonable proportion of indirect costs of production. The spare parts inventory is valued using the first-in-first-out method at the lower of cost and fair value at the reporting date.

### FINANCIAL INSTRUMENTS

The Group classifies its financial assets and liabilities in the following categories - loans and receivables and other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets unless the settlement date is more than 12 months after the balance sheet date, in which case they are classified as non-current assets. Loans and receivables are reported in the balance sheet under trade receivables, other receivables and financial assets. This category also includes cash & cash equivalents. The Group assesses at each reporting date whether there is any objective evidence that a financial asset may be impaired. Impairment of trade receivables is reported in the income statement under Other external costs.

#### Other financial liabilities

Other financial liabilities relate to the bond issue and the convertible loan, which are classified as non-current liabilities in the balance sheet, financial leases, including both the non-current and current portion, trade payables and other current liabilities that are financial liabilities. Other financial liabilities do not include prepaid liabilities.

#### General principles

Purchases and sales of financial assets and liabilities are recognised on the trade date (the commitment date). Initial recognition of financial assets and liabilities is at fair value plus transaction costs. Financial assets are derecognised when the right to receive cash flows from the instruments has expired or been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the contractual obligation has been settled or extinguished in some other way.

Loans and receivables and other financial assets are recognised after the acquisition date at amortised cost using the effective interest method.

### TRADE RECEIVABLES

Trade receivables are amounts to be paid by customers for iron ore deliveries and renting houses, leasehold property and other premises in the Company's current operations. If payment is expected within one year, they are classified as current assets. The normal operating cycle is less than one year.

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### CASH & CASH EQUIVALENTS

This balance sheet item comprises cash and demand deposits and restricted bank deposits which are expected to be settled within 12 months of the end of the reporting period. The cash flow statement includes cash and demand deposits and restricted bank deposits which are expected to be settled within three months after the end of the reporting period.

### SHARE CAPITAL

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are recognised in other paid-in capital, net of tax, as a deduction from the issue proceeds.

### TRADE PAYABLES

Trade payables are undertakings to pay for costs and capitalised expenditure. They are classified as current liabilities if they are due for settlement within one year. The normal operating cycle is less than one year.

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

## NOTE 2 cont'd

**BORROWING**

Borrowing is initially recognised at fair value, net of transaction costs. Borrowing costs are subsequently measured at amortised cost, and any difference between the amount received (net of transaction costs) and the repayment amount is recognised in profit or loss over the term of the loan using the effective interest method. Borrowing in the form of convertible bonds is initially recognised at the fair value of a similar liability that does not carry a right of conversion into shares. The equity portion is initially recognised as the difference between the fair value of the compound financial instrument and the value of the liability portion. Any directly attributable transaction costs are allocated to the liability and equity portions in proportion to their initial carrying amounts. After the date of acquisition, the liability portion is measured at amortised cost using the effective interest method. The equity component is not remeasured after the date of acquisition apart from during conversion or redemption.

**BORROWING COSTS**

Borrowing costs are capitalised as part of the cost of qualifying assets. The mine is a qualifying asset which necessarily takes a substantial time to be prepared for its intended use. Capitalisation ceases when all the activities required to prepare the asset for its intended use are essentially completed.

All other borrowing costs are recognised as an expense when incurred.

**CURRENT AND DEFERRED TAX**

Tax expense for the period consists of current tax and deferred tax. Tax is recognised in the income statement, unless it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax effect is also recognised in other comprehensive income or equity. Current tax expense is calculated on the basis of the tax rules that have been enacted or substantively enacted by the reporting date.

Deferred tax is accounted for using the balance-sheet liability method. A deferred tax liability is recognised for temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. However, a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit or loss is not recognised. Deferred tax is measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**EMPLOYEE BENEFITS****Retirement benefit obligations**

Dannemora Mineral's pension plans are all defined contribution plans. For these pension plans, Dannemora Mineral pays contributions into publicly or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no additional payment obligations once the contributions have been paid. The contributions are recognised as personnel expenses when they are due for payment. Prepaid contributions are recognised as an asset to the extent that cash repayment or a reduction in future payments may benefit the Group.

**PROVISIONS**

Provisions for restoration measures, restructuring costs and legal requirements are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the amount that is expected to be required to settle the obligation. A pre-tax discount rate is used that reflects current market assessments of the time value of money and the risks specific to the asset. An increase in a provision due to the passing of time is recognised under interest costs.

Dannemora Mineral's provisions consist of estimated costs of land restoration. Provisions are not recognised for future operating losses.

**REVENUE RECOGNITION**

The Group's principal business is the mining industry. In 2012, net sales were largely deliveries of iron ore products, and were reported in the subsidiary Dannemora Magnetit. Sales of iron ore products are recognised, in accordance with the terms of sale, when the risk has been transferred to the customer. Sales are accounted for net of VAT. However, the Group's operating revenue

in 2011 consisted primarily of rental income from houses, leasehold property and premises in Dannemora and was reported in the subsidiary Dannemora Förvaltnings AB.

Rental income from letting houses, leasehold property and premises in Dannemora is recognised in the income statement on a straight-line basis over the rental or lease term.

**Interest income**

Interest income is recognised over the relevant period using the effective interest method.

**LEASES**

A lease is classified as an operating lease when it does not transfer substantially all the risks and rewards incidental to ownership. Lease payments (less any incentives from the lessor) are recognised as an expense in the income statement on a straight-line basis over the lease term.

The Group leases certain items of property, plant and equipment. As these leases transfer to the Group substantially all the risks and rewards incident to ownership of the asset, they are classified as finance leases. Assets held under finance leases are recognised at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between reduction of the lease obligation and finance charges. The corresponding payment obligations, net of finance costs, are reported as long-term borrowing and short-term borrowing. The finance charge should be allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets held under finance leases are depreciated over the asset's useful life when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

**DIVIDENDS**

Dividends to the Parent Company's shareholders are recognised as a liability in the consolidated accounts for the period in which the dividend is adopted by the Parent Company's shareholders. The Board will not propose a dividend to the 2013 annual general meeting.

**ACCOUNTING POLICIES – PARENT**

The Parent Company applies RFR 2 Accounting for Legal Entities.

**Income statement and balance sheet presentation**

The income statement and balance sheet follow the presentation defined in the Swedish Annual Accounts Act. The main differences from the consolidated financial statements relate to finance income and expense, provisions and the statement of changes in equity.

**Shares in subsidiaries**

Shares in subsidiaries are recognised at cost less any impairment losses. Dividends received are reported under finance income. If dividends exceed the subsidiary's comprehensive income for the period or result in the carrying amount of the holding's net assets in the consolidated accounts being less than the carrying amount of the shares, this is an indication of impairment.

If there is an indication that shares in a subsidiary may be impaired, the recoverable amount is calculated. If it is lower than the carrying amount, an impairment loss is recognised. Impairment losses are reported under Profit/loss from investments in Group companies.

**Borrowing costs**

All borrowing costs are recognised as an expense when incurred.

**Classification and measurement of financial instruments**

IAS 39 Financial Instruments: Recognition and Measurement is applied, apart from financial guarantees, for which the Group has used the exemption allowed under RFR 2. Financial guarantees are reported under Contingent liabilities.

**Group contributions and shareholder contributions**

received and paid are recognised in equity until the end of 2012. The Company has not decided whether group contributions will be reported as an appropriation or an increase in shares and investments in subsidiaries in 2013 when the rules are changed.

The Parent Company did not make or receive any shareholder contributions during the year.

**NOTE 3 FINANCIAL RISK MANAGEMENT**

**FINANCIAL RISK FACTORS**

In the course of its operations, the Group is exposed to various financial risks. These comprise market risk (including currency, price and interest rate risk), credit risk and liquidity risk.

The risk management policies are common to all the Group's entities. Consequently, the description in this note also applies to the Parent Company. Risk management is handled by the Parent Company's finance department according to the policies defined by the Board.

**Market risk**

*(i) Currency risk*

There are no foreign subsidiaries in the Group. The Group operates internationally and is exposed to currency risk arising from various currency exposures, in particular the U.S. dollar. Currency risk arises from future commercial transactions, as all iron ore sales are conducted in U.S. dollars, and from reported liabilities in the form of a bond issue of USD 120 million. At the closing date, the loan was valued at SEK 781,872 (830,760) thousand less capitalised transaction costs. See Note 26. A 5 percent decline or increase in the US dollar rate would reduce or increase the liability by SEK 39,094 thousand. In order to reduce foreign exchange risk arising from repayment and interest charges relating to the bond issue, the Group will gradually build up U.S. dollar assets from the revenue generated from mining activities.

Exchange gains and losses recognised in the income statement are presented in Note 9 and are largely associated with the bond issue of USD 120 million. The Group's bank accounts in U.S. dollars are revalued monthly at the closing rate.

*(ii) Interest rate risk*

The Group does not have any significant interest-bearing financial assets. See Note 16. At 31 December 2012, the Group has two interest-bearing financial liabilities in the form of a bond issue of USD 120 (120) million and a convertible loan of SEK 136 (-) million. See Note 26. Both loans carry a fixed coupon rate of 11.75 percent and mature in March 2016 and November 2015, respectively. The Group's earnings and cash flow from operations are essentially independent of changes in market interest rates.

For a specification of the Group's interest income and expenses, see Note 9.

*(iii) Price risk*

The Group is exposed to price risk in respect of its sales of iron ore. Pricing of fines is strongly linked to the spot prices on Platts IODEX FE 62 percent CFR China (Qingdao). Lump prices are not as strongly linked and are to some extent dependent on price movements for pellets in Europe. Dannemora Mineral's customer prices are normally set quarterly and are based on the previous quarter with a one-month lag. In addition, the final price is governed by shipping costs and product value, which is based on the ore's composition and content (manganese, phosphorus, sulphur etc.).

Consequently, price risk is not for the most part something over which the Group has control, as most of the price adjustments are based on external conditions. The large negotiable items for customers are therefore the product value and shipping charges, which are included in their total cost. Customers evaluate suppliers based on total cost picture for delivery of the material, combined with the added value that the products creates from their use. This means that, in the European market, Dannemora is in a more favourable position than more remotely located mines.

**Credit risk**

Credit risk or counterparty risk is the risk that a counterparty in a financial transaction will fail to discharge its obligations. Credit risk is managed at Group level and is associated with bank deposits (including restricted bank deposits) and trade receivables. To protect its trade receivables, Dannemora makes it a priority to secure long-term customer relationships with well established clients in the steel industry. In 2012, the five largest customers accounted for 98 percent of the Group's sales. The Group has not had any major customer losses in the last five years. See Note 20 for trade receivables and doubtful debts. Under Dannemora Mineral's investment policy, short-term investments may only be made in the securities of issuers who have been awarded a high credit rating in a rating system. There were no derogations from the investment policy during 2012. See Note 16 for

information about the Group's financial assets. The Group has not had any losses in short-term investments over the last five years.

**Liquidity risk**

Liquidity risk is the risk that the Group will lack the funds to settle its financial liabilities. Liquidity risk is managed by adopting a prudent approach and ensuring the Group always has sufficient cash and cash equivalents. This is done by means of rolling liquidity forecasts prepared by the finance department.

At 31 December 2012, the Group's cash & cash equivalents stood at SEK 152,049 (628,836) thousand. The Group does not have any credit facilities.

The table below analyses the Group's financial liabilities by the remaining term to maturity after the reporting date.

The amounts shown in the table are the contractual undiscounted cash flows.

At 31 December 2012	Within 1 year	1-5 years	After 5 years
Long-term borrowing rate	107,470	232,967	-
Repayment of long-term loans	-	917,872	-
Repayment of short-term loans	13,000	-	-
Trade payables and other current liabilities	106,088	-	-
Finance leases	11,727	60,740	-
Operating leases	492	-	-

At 31 December 2011	Within 1 year	1-5 years	After 5 years
Long-term borrowing rate	97,614	341,650	-
Repayment of long-term loans	-	830,760	-
Repayment of short-term loans	13,000	-	-
Trade payables and other current liabilities	85,694	-	-
Finance leases	336	617	-
Operating leases	458	530	-

Borrowing relates to a bond issue of USD 120 million, a convertible loan of SEK 136 million and a loan of SEK 13 million for the purchase of real estate carrying an interest rate of 2.5 percent from 1 January 2013. The bond loan is due for full repayment in March 2016, and has call options after two, three or four years at prices of 106, 104 and 102 percent. In the table above, it has been assumed that the loan will be repaid in full in March 2016. The convertible loan will be repaid in full in November 2015, as assumed in the table above, unless it is converted before then. The loan for the purchase of real property will be repaid in full in December 2013.

**CAPITAL RISK MANAGEMENT**

The Group's goal regarding capital structure is to safeguard its capacity to operate as a going concern and maintain an optimal capital structure in order to reduce the cost of capital.

Total capital is reported as equity in the consolidated balance sheet, and amounted to SEK 273,719 (406,242) thousand at 31 December 2012.

**MEASUREMENT OF FAIR VALUE**

The carrying amount (after any impairment) of trade receivables and payables is the same as their fair value, as these items have short settlement periods. The fair value of non-current financial liabilities is measured, for disclosure purposes, as the quoted market price in an active market. In the absence of a quoted market price, the fair value is calculated by discounting future cash flows to the market interest rates available to the Group for similar financial instruments. The Group does not have any financial instruments measured at fair value in the statement of financial position.

## NOTE 4 SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates and assessments are evaluated regularly. They are largely based on historical experience and other factors, including expectations about future events which are considered reasonable in the present circumstances.

### Significant accounting estimates and assumptions

The Group makes judgements and assumptions concerning the future. These result in accounting estimates, which, by definition, rarely correspond with the actual outcome. Estimates and assumptions which involve considerable risk of material adjustments to the carrying amounts of assets and liabilities during the next financial year are described below.

#### Impairment testing of exploration and evaluation assets

In accordance with IFRS 6, exploration and evaluation assets are tested for impairment when facts and circumstances indicate that the carrying amount of these assets may exceed their recoverable amount. If there is an indication of impairment, recognition, classification and disclosure are carried out in accordance with IAS 36 Impairment. The value of capitalised exploration and evaluation expenses was SEK 38,485 (40,701) thousand at 31 December 2012. The value is largely based on potential and resources for developing the capitalised expenses into mineable deposits.

In 2012, the Group recognised an impairment loss of SEK 27 (2,444) thousand attributable to exploration permit expenses. See Note 14. The impairment was due to the Group's decision to relinquish an exploration permit that was not considered to be profitable in the future. If there is any change in the underlying assessments on which the fair value of the present intangible assets is based, and facts and circumstances indicate that impairment testing is required, their value may need to be written down. No facts or circumstances to indicate a further need for impairment testing have arisen.

## NOTE 5 DISTRIBUTION OF NET SALES

Net sales are divided into the following categories:

SEK thousands	Group		Parent	
	2012	2011	2012	2011
Iron ore	134,209	-	-	-
Rental income	3,001	2,948	-	-
Other income	83	183	25	69
Group-wide services	-	-	19,809	5,748
<b>Total</b>	<b>137,293</b>	<b>3,131</b>	<b>19,834</b>	<b>5,817</b>

The Group's revenue of approx. SEK 137,293 (3,131) thousand comprises SEK 134,209 thousand (-) for the supply of iron ore to five customers and SEK 3,001 (2,948) thousand in rental income from 64 apartments and 12 premises owned by the subsidiary Dannemora Förvaltnings AB.

### Operating leases where a Group company is lessor

The Group leases out premises and apartments in Dannemora under different contracts with a period of notice of 3 months. The contracts have a renewal option. Future minimum lease payments under cancellable operating leases relating to premises and apartments are as follows:

Group	2012	2011
Within one year	2 919	2 893
<b>Total, Group</b>	<b>2 919</b>	<b>2 893</b>

Contingent rents recognised in income for the period were SEK 0 (0).

## NOTE 6 PARENT COMPANY'S INTRA-GROUP SALES AND PURCHASES

The Parent Company invoiced subsidiaries SEK 19,809 (5,748) thousand for Group-wide services during the year. All services are invoiced on market terms and conditions. The Parent Company did not purchase any services from Group companies.

## NOTE 7 REMUNERATION OF AUDITORS

The items 'annual audit' and 'other auditing services' comprise examination of the annual financial statements, accounting records and administration of the business by the CEO and Board, other procedures required to be carried out by the Company's auditors and advice or other assistance relating to observations made during the performance of these other procedures. Anything else is classified as other services.

SEK thousands	Group		Parent	
	2012	2011	2012	2011
Öhrlings PricewaterhouseCoopers				
Annual audit	403	490	403	490
Other auditing services	70	138	70	138
Tax advice	-	-	-	-
Other services	43	870	43	870
<b>Total</b>	<b>516</b>	<b>1 498</b>	<b>516</b>	<b>1 498</b>

## NOTE 8 EMPLOYEE BENEFITS

SEK thousands	Group		Parent	
	2012	2011	2012	2011
Remuneration of Board and CEO	3,421	3,054	3,389	3,054
Remuneration of other key management personnel	4,362	4,650	2,758	2,727
Remuneration of other employees	25,531	6,995	2,733	927
Social security contributions	10,684	5,066	2,947	2,356
Pension expenses for Board and CEO - defined contribution plans	633	581	633	581
Pension expenses for other key management personnel - defined contribution plans	728	876	444	528
Pension expenses for other employees - defined contribution plans	2,276	921	263	71
<b>Total salaries, employee benefits and pensions</b>	<b>47,635</b>	<b>22,143</b>	<b>13,167</b>	<b>10,244</b>

### Average number of employees

#### (all employees in Sweden)

Men	43	15	5	3
Women	20	5	4	2
<b>Total employees</b>	<b>63</b>	<b>20</b>	<b>9</b>	<b>5</b>

The Board consists of seven (seven) members, of whom 100% (100%) are male.

Group management consists of five (six) individuals, of whom 80% (83%) are male.

### Remuneration of the Board and CEO

The following Board fees were paid: SEK 300 (300) thousand to the chairman, SEK 200 (200) thousand to the deputy chairman and SEK 100 (100) thousand to each of the other five Board members. In addition to the Board fees, compensation of SEK 421 (-) thousand was paid to Board members for committee work. There are no pension, bonus or other benefit arrangements in place for the Board.

The Company appointed a new CEO during the year. The Company's CEO received a fixed salary up to and including 12 December 2012. His total salary, excluding pension, amounted to SEK 2,000 (2,054) thousand. Pension premiums paid amounted to SEK 633 (581) thousand. No termination benefits have been agreed over and above the normal period of notice of six months. With effect from December 13, the Company's CEO will receive compensation under a consulting agreement. These consulting expenses are included under personnel expenses, but have not been included in the table above showing remuneration of the Board and CEO. The CEO's consulting expenses amounted to SEK 117 (-) thousand in 2012.

### Remuneration of key management personnel

Key management personnel (four individuals) received salaries and other benefits totalling SEK 4,362 (4,650) thousand during the year. Pension premiums paid for key management personnel amounted to SEK 728 (876) thousand. No termination benefits have been agreed for key management personnel over and above the normal period of notice of six months.

**Incentive schemes**

In 2006, an incentive scheme comprising a maximum of 3,000 warrants for employees, key management personnel and Board members was adopted. A total of 2,500 warrants were allotted. The subscription period was 15 March 2007 to 31 December 2008. At 31 December 2008, no shares had been subscribed for under the share option scheme.

An extraordinary general meeting in April 2008 adopted an option scheme comprising 50,000 warrants and 50,000 share options for the Company's CEO.

The warrants were transferred at a market price determined using the Black-Scholes option pricing formula. Each warrant gave entitlement to subscribe for one new class B share during the period 1 July 2009 to 15 January 2012. The subscription price per share is SEK 75. The share options were allotted without charge. Each share option gives entitlement to subscribe for one new class B share during the period 1 July 2011 to 15 January 2012. The subscription price per share is SEK 50.

The extraordinary general meeting in June 2008 adopted a proposal to extend the above option scheme by issuing 35,000 warrants and 35,000 share options to key management personnel in the group. 25,000 warrants and 35,000 share options were allotted.

The warrants were transferred at a market price determined using the Black-Scholes option pricing formula. Each warrant entitles the holder to subscribe for one new class B share during the period 1 July 2009 to 15 January 2012. The subscription price per share is SEK 91. The share options were allotted without charge. Each share option entitles the holder to subscribe for one new class B share during the period 1 July 2011 to 15 January 2012. The subscription price per share is SEK 68.

At the end of the subscription period (15 January 2012), no shares had been subscribed for under the incentive schemes described above.

**NOTE 9 FINANCE INCOME AND COSTS**

SEK thousands	2012	Group 2011
Interest expenses:		
Bond issue	-59,953	-
Convertible bonds	-2,504	-
Finance lease liabilities	-1,474	-8
Other interest expenses	-264	-23
Finance costs:		
Exchange losses	-1,254	-84,999
Other finance costs	-233	-168
<b>Finance costs</b>	<b>-65,682</b>	<b>-85,198</b>
Finance income:		
Interest income on short-term bank deposits	4,360	11,857
Interest income on restricted cash equivalents	500	586
Dividend	1	1
Exchange gains	48,294	7,591
<b>Finance income</b>	<b>53,155</b>	<b>20,035</b>
<b>Net financial items, Group</b>	<b>-12,527</b>	<b>-65,163</b>

**NOTE 10 INTEREST AND SIMILAR INCOME AND EXPENSE**

SEK thousands	2012	Parent 2011
Interest expenses:		
Bond issue	-95,939	-70,962
Convertible bonds	-2,504	-
Group companies	-1	-2
Other interest expenses	-75	-12
Finance costs:		
Exchange losses	-	-84,999
Other finance costs	-7,736	-5,708
<b>Finance costs</b>	<b>-106,255</b>	<b>-161,683</b>
Finance income:		
Interest income on short-term bank deposits	3,483	10,902
Interest income from Group companies	12,047	6,735
Dividend	1	1
Exchange gains	48,294	7,591
<b>Finance income</b>	<b>63,825</b>	<b>25,229</b>
<b>Net financial items, Parent</b>	<b>-42,430</b>	<b>-136,454</b>

**NOTE 11 INCOME TAXES AND TAX ON PROFIT/LOSS FOR THE YEAR**

SEK thousands	2012	Group 2011	Parent 2012	2011
Current tax:				
Current tax on profit/loss for the year	-18	-16	-	-
<b>Total current tax</b>	<b>-18</b>	<b>-16</b>	<b>-</b>	<b>-</b>

The differences between the recognised tax expense and the estimated tax expense based on the applicable tax rate are as follows:

SEK thousands	2012	Group 2011	Parent 2012	2011
Profit/loss before tax	-240,837	-118,160	-67,121	-156,201
Income tax calculated using the				
Group's applicable tax rate (26.3%) (26.3%)	63,340	31,076	17,653	41,081
Non-taxable income	7	6	1	1
Non-deductible expenses	-42	-28	-27	-20
Group contributions paid to subsidiaries	-	-	53,856	12,268
Tax losses for which no deferred tax asset is recognised	-63,323	-31,070	-71,483	-53,329
<b>Total tax expense</b>	<b>-18</b>	<b>-16</b>	<b>-</b>	<b>-</b>

The weighted average tax rate for the Group and Parent Company is 26.3% (26.3%).

Deferred tax assets are recognised for tax loss carryforwards to the extent that they can be utilised against future taxable profit. The Group's accumulated tax loss carryforwards amount to SEK 584,191 (312,392) thousand. Deferred tax assets have not been recognised for these tax losses, as there is at present no clear indication that taxable profit will be available against which the tax losses can be utilised.

**NOTE 12 EARNINGS PER SHARE**

SEK thousands	2012	2011
Profit/loss attributable to owners of the Parent	-240,855	-118,176
<b>Weighted average number of shares outstanding before dilution (thousands)</b>	<b>14,935</b>	<b>13,394</b>
Adjusted for:		
Warrants outstanding	452	189
<b>Weighted average number of shares outstanding after dilution (thousands)</b>	<b>15,387</b>	<b>13,583</b>
Earnings per share before dilution	-16.13	-8.82
Earnings per share after dilution	-16.13	-8.82

**NOTE 13 DIVIDEND PER SHARE**

No dividends were paid in 2012 and 2011. It will be proposed to the AGM on 30 May 2013 that no dividend be paid.

**NOTE 14 INTANGIBLE ASSETS**

SEK thousands	Group			
	Exploration and evaluation assets Dannemora	Other evaluation assets	Licences	Total
<b>2011 financial year</b>				
Opening balance	37,344	822	-	38,166
Purchases/processing	-	5,047	1,621	6,668
Amortisation	-68	-	-	-68
Impairment	-	-2,444	-	-2,444
<b>Closing balance</b>	<b>37,276</b>	<b>3,425</b>	<b>1,621</b>	<b>42,322</b>
<b>At 31 December 2011</b>				
Cost of acquisition	37,487	8,284	1,621	47,392
Accumulated amortisation	-211	-	-	-211
Accumulated impairment	-	-4,859	-	-4,859
<b>Carrying amount</b>	<b>37,276</b>	<b>3,425</b>	<b>1,621</b>	<b>42,322</b>
<b>2012 financial year</b>				
Opening balance	37,327	3,374	1,621	42,322
Purchases/processing	-	139	2,436	2,575
Amortisation	-2,328	-	-304	-2,632
Impairment	-	-27	-	-27
<b>Closing balance</b>	<b>34,999</b>	<b>3,486</b>	<b>3,753</b>	<b>42,238</b>
<b>At 31 December 2012</b>				
Cost of acquisition	37,538	8,372	4,057	49,967
Accumulated amortisation	-2,539	-	-304	-2,843
Accumulated impairment	-	-4,886	-	-4,886
<b>Carrying amount</b>	<b>34,999</b>	<b>3,486</b>	<b>3,753</b>	<b>42,238</b>

SEK thousands	Parent		
	Exploration and evaluation assets	Licences	Total
<b>2011 financial year</b>			
Opening balance	18,545	-	18,545
Purchases/processing	4,913	1,232	6,145
Amortisation	-	-	-
Impairment	-2,444	-	-2,444
<b>Closing balance</b>	<b>21,014</b>	<b>1,232</b>	<b>22,246</b>
<b>At 31 December 2011</b>			
Cost of acquisition	25,873	1,232	27,105
Accumulated amortisation	-	-	-
Accumulated impairment	-4,859	-	-4,859
<b>Carrying amount</b>	<b>21,014</b>	<b>1,232</b>	<b>22,246</b>
<b>2012 financial year</b>			
Opening balance	21,014	1,232	22,246
Purchases/processing	139	2,297	2,437
Amortisation	-1,329	-267	-1,596
Impairment	-7	-	-8
<b>Closing balance</b>	<b>19,817</b>	<b>3,262</b>	<b>23,079</b>
<b>At 31 December 2012</b>			
Cost of acquisition	26,012	3,529	29,542
Accumulated amortisation	-1,329	-267	-1,596
Accumulated impairment	-4,866	-	-4,867
<b>Carrying amount</b>	<b>19,817</b>	<b>3,262</b>	<b>23,079</b>

**NOTE 15 PROPERTY, PLANT & EQUIPMENT**

SEK thousands	Group				
	Land and buildings	Equipment, tools, fixtures & fittings	Plant & machinery	Work in progress	Total
<b>2011 financial year</b>					
Opening balance	16,285	719	-	129,424	146,428
Purchases	1,044	743	1,188	400,284	403,260
Capitalisation of interest and finance costs	-	-	-	76,521	76,521
Depreciation	-173	-337	-59	-	-569
<b>Closing balance</b>	<b>17,156</b>	<b>1,125</b>	<b>1,129</b>	<b>606,229</b>	<b>625,639</b>
<b>At 31 December 2011</b>					
Cost of acquisition	18,037	2,267	1,188	606,229	625,639
Accumulated depreciation	-881	-1,142	-59	-	-1,880
<b>Carrying amount</b>	<b>17,156</b>	<b>1,125</b>	<b>1,129</b>	<b>606,229</b>	<b>625,639</b>
<b>2012 financial year</b>					
Opening balance	17,156	1,125	1,129	606,229	625,639
Purchases	459	4,047	97,079	385,206	486,791
Capitalisation of interest and finance costs	-	-	-	43,484	43,484
Reclassifications	421,803	6,012	253,465	-681,280	-
Disposals	-	-	-99	-	-99
Depreciation	-6,445	-1,356	-23,280	-	-31,081
<b>Closing balance</b>	<b>432,973</b>	<b>9,828</b>	<b>328,294</b>	<b>353,639</b>	<b>1,124,734</b>
<b>At 31 December 2012</b>					
Cost of acquisition	440,299	12,326	351,633	353,639	1,157,897
Accumulated depreciation	-7,326	-2,498	-23,339	-	-33,163
<b>Carrying amount</b>	<b>432,973</b>	<b>9,828</b>	<b>328,294</b>	<b>353,639</b>	<b>1,124,734</b>

During the year, the Group capitalised borrowing costs of SEK 43,484 (70,962) thousand that were attributable to qualifying assets. The interest rate relates to the bond issue and was capitalised as work in progress.

Group	2012	2011
Cost – capitalised finance leases	<b>98,168</b>	1,188
Accumulated depreciation	<b>-10,548</b>	-59
<b>Carrying amount</b>	<b>87,620</b>	1,129

The Group accounts for 15 cars and 19 items of machinery under non-cancellable finance leases. The lease terms are 3 years for cars and 5 years for machinery.

Future lease payments under non-cancellable finance leases fall due as follows:

Group	2012	2011
Within one year	<b>11,727</b>	321
1-5 years	<b>60,740</b>	585
After five years	-	-
<b>Group total</b>	<b>72,467</b>	906

	2012	2011	2012	2011
Opening cost of acquisition	<b>268</b>	110	<b>832</b>	564

Parent	Plant & machinery	Equipment, tools, fixtures & fittings		
Purchases	-	158	<b>69</b>	268
Disposals	<b>-99</b>	-	-	-
<b>Closing accumulated cost</b>	<b>169</b>	268	<b>901</b>	832
Opening depreciation	<b>-94</b>	-23	<b>-477</b>	-400
Depreciation for the year	<b>-21</b>	-71	<b>-166</b>	-77
Closing accumulated depreciation	<b>-115</b>	-94	<b>-643</b>	-477
<b>Closing balance</b>	<b>54</b>	174	<b>258</b>	355

**NOTE 16 FINANCIAL ASSETS/OTHER NON-CURRENT RECEIVABLES**

SEK thousands	Group		Parent	
	2012	2011	2012	2011
At beginning of year	2,123	2,121	123	121
Additions	201	2	1	2
Disposals	-	-	-	-
<b>At end of year</b>	<b>2,324</b>	<b>2,123</b>	<b>124</b>	<b>123</b>
Cash deposits	124	123	124	123
Restricted bank deposits	2,200	2,000	-	-
<b>Total</b>	<b>2,324</b>	<b>2,123</b>	<b>124</b>	<b>123</b>

SEK 2,000 thousand of the restricted bank deposits are funds that are restricted in accordance with a decision by the Swedish Environmental Court and SEK 200 thousand relate to a guarantee for the exploitation concession. Both amounts are restricted for the duration of mining production in Dannemora.

**NOTE 17 SHARES AND INTERESTS IN GROUP COMPANIES**

SEK thousands	2012	2011
Parent		
Opening cost	300	300
Investment	-	-
<b>Closing balance</b>	<b>300</b>	<b>300</b>

The Parent Company owns shares in the following subsidiaries:

Name	Reg. no.	Reg'd office	Share of equity	Number of shares	Carrying amount 2011	2011
Dannemora Magnetit AB	556709-1664	Östhammar	100%	100 000	100	100
Dannemora Förvaltnings AB	556750-3627	Östhammar	100%	100 000	100	100
Dannemora Prospektering AB	556708-1988	Östhammar	100%	100 000	100	100

The share of voting power is the same as the share of capital.

**NOTE 18 FINANCIAL INSTRUMENTS BY CATEGORY**

Group	Loans and receivables	Total
<b>At 31 December 2012</b>		
<b>Assets in balance sheet</b>		
Deposits and restricted bank funds	2,324	2,324
Trade and other receivables, excl. accrued receivables	24,505	24,505
Cash & cash equivalents	152,049	152,049
<b>Total</b>	<b>178,878</b>	<b>178,878</b>
Other financial liabilities		
<b>Liabilities in balance sheet</b>		
Borrowings (excluding finance lease liabilities)	894,190	894,190
Finance lease liabilities	72,467	72,467
Trade and other payables, excl. non-financial liabilities	106,088	106,088
<b>Total</b>	<b>1,072,745</b>	<b>1,072,745</b>

	Loans and receivables	Total
<b>At 31 December 2011</b>		
<b>Assets in balance sheet</b>		
Deposits and restricted bank funds	2,123	2,123
Trade and other receivables, excl. accrued receivables	19,285	19,285
Cash & cash equivalents	628,836	628,836
<b>Total</b>	<b>650,244</b>	<b>650,244</b>

	Other financial liabilities	Total
<b>Liabilities in balance sheet</b>		
Borrowings (excluding finance lease liabilities)	799,687	799,687
Finance lease liabilities	352	352
Trade and other payables, excl. non-financial liabilities	85,452	85,452
<b>Total</b>	<b>885,491</b>	<b>885,491</b>

Parent	Loans and receivables	Total
<b>31 December 2012</b>		
<b>Assets in balance sheet</b>		
Other non-current receivables	124	124
Current receivables from Group companies	963,574	963,574
Other current receivables	166	166
Cash & cash equivalents	72,662	72,662
<b>Total</b>	<b>1,036,526</b>	<b>1,036,526</b>

	Other financial liabilities	Total
<b>Liabilities in balance sheet</b>		
Long-term loans	881,190	881,190
Liabilities to Group companies	93	93
Other liabilities	10,795	10,795
<b>Total</b>	<b>892,078</b>	<b>892,078</b>

	Loans and receivables	Total
<b>At 31 December 2011</b>		
<b>Assets in balance sheet</b>		
Other non-current receivables	123	123
Current receivables from Group companies	686,663	686,663
Other current receivables	1,374	1,374
Cash & cash equivalents	429,748	429,748
<b>Total</b>	<b>1,117,908</b>	<b>1,117,908</b>

	Other financial liabilities	Total
<b>Liabilities in balance sheet</b>		
Long-term loans	799,687	799,687
Finance lease liabilities		
Liabilities to Group companies	91	91
Other liabilities	2,578	2,578
<b>Total</b>	<b>802,355</b>	<b>802,355</b>

**NOTE 19 INVENTORIES**

Group		
SEK thousands	2012	2011
Products in progress	7,498	8,130
Finished products	8,316	-
Parts	4,428	-
<b>Total</b>	<b>20,242</b>	<b>8,130</b>

The cost of inventories recognised as an expense is included in changes in inventories and amounts to SEK 12,112 (-) thousand.

The Parent Company does not have any inventories.

**NOTE 20 TRADE RECEIVABLES**

Group	2012	2011
SEK thousands		
Trade receivables	8,162	161
Provision for doubtful debts	-91	-40
<b>Trade receivables – net</b>	<b>8,071</b>	<b>121</b>

At 31 December 2012, trade receivables (non-doubtful) amounted to SEK 8,071 (121) thousand.

At 31 December 2012, past due trade receivables totalled SEK 4 (5) thousand. However, no impairment losses were recognised for them.

The age analysis of these past due trade receivables is as follows:

	2012	2011
Less than 3 months	4	-
3-6 months	-	-
More than 6 months	-	5
<b>Total past due trade receivables</b>	<b>4</b>	<b>5</b>

At 31 December 2012, the provision for doubtful debts amounted to SEK -91 (-40) thousand. The age analysis is as follows:

	2012	2011
3-6 months	-	-
More than 6 months	-91	-40
	<b>-91</b>	<b>-40</b>

Changes in the provision for doubtful debts are as follows:

	2012	2011
<b>At 1 January</b>	<b>-40</b>	<b>0</b>
Reversal of previous provisions	30	-
Provision for doubtful debts	-81	-40
<b>At 31 December</b>	<b>-91</b>	<b>-40</b>

Provisions for doubtful debts and their reversals are reported in the income statement under Other external costs.

The maximum exposure to credit risk at the reporting date is the carrying amount of the trade receivables reported above. The Group does not have any assets pledged as collateral.

**NOTE 21 OTHER RECEIVABLES**

	Group		Parent	
SEK thousands	2012	2011	2012	2011
Receivables from Group companies	-	-	963,574	686,663
Recoverable VAT	13,315	15,274	-	764
Tax asset	858	3,821	164	560
Other current receivables	2,261	69	2	49
<b>Total</b>	<b>16,434</b>	<b>19,164</b>	<b>963,740</b>	<b>688,036</b>

**NOTE 22 PREPAYMENTS AND ACCRUED INCOME**

	Group		Parent	
SEK thousands	2012	2011	2012	2011
Prepaid rent	174	111	166	111
Prepaid lease payments	1,238	224	1,238	224
Prepaid subscriptions	-	32	-	-
Prepaid insurance costs	548	277	73	-
Advances, leased machinery	-	10,242	17,350	10,242
Accrued income	7,131	-	-	-
Other items	1,301	151	183	151
<b>Total</b>	<b>10,392</b>	<b>11,037</b>	<b>19,010</b>	<b>10,728</b>

**NOTE 23 CASH & CASH EQUIVALENTS**

Cash & cash equivalents in the balance sheet and cash flow statement are as follows:

SEK thousands	2012	2011
<b>Group</b>		
<b>Balance sheet</b>		
<b>Cash &amp; cash equivalents</b>	<b>152,049</b>	<b>628,836</b>
<b>Group total</b>	<b>152,049</b>	<b>628,836</b>
<b>Cash flow statement</b>		
Cash & cash equivalents	152,049	628,836
<b>Group total</b>	<b>152,049</b>	<b>628,836</b>
<b>Parent</b>		
<b>Balance sheet</b>		
Cash & cash equivalents	72,662	429,748
<b>Parent total</b>	<b>72,662</b>	<b>429,748</b>
<b>Cash flow statement</b>		
Cash & cash equivalents	72,662	429,748
<b>Parent total</b>	<b>72,662</b>	<b>429,748</b>

**NOTE 24 SHARE CAPITAL AND OTHER PAID-IN CAPITAL**

	Number of shares (thousands)	Share capital	Other paid-in capital	Total
<b>At 1 January 2011</b>	11,860	1,898	487,733	489,631
Private placement	2,000	320	149,680	150,000
Issue expenses	-	-	-5,302	-5,302
<b>At 31 December 2011</b>	<b>13,860</b>	<b>2,218</b>	<b>632,111</b>	<b>634,329</b>

	Number of shares (thousands)	Share capital	Other paid-in capital	Total
<b>At 1 January 2012</b>	13,860	2,218	632,111	634,329
Private placement	1,500	240	103,260	103,500
Issue expenses	-	-	-4,766	-4,766
Convertible loan, option portion	-	-	9,598	9,598
<b>At 31 December 2012</b>	<b>15,360</b>	<b>2,458</b>	<b>740,203</b>	<b>742,661</b>

**NOTE 25 EQUITY COMPENSATION BENEFITS**

More information about the incentive scheme can be found in Note 8.

Changes in the number of warrants and share options outstanding and their exercise price are as follows:

Group	2012				2011			
	Ex. price SEK/share	Warrants (000)	Ex. price SEK/share	Employee share options (000)	Ex. price SEK/share	Warrants (000)	Ex. price SEK/share	Employee share options (000)
At 1 January	80	75	57	85	80	75	57	85
At 31 December	-	-	-	-	80	75	57	85

Share options outstanding at the beginning of the year matured on 15 January 2012 without any employee having chosen to redeem them.

**NOTE 26 NON-CURRENT LIABILITIES**

SEK thousands	2012	2011
<b>Group</b>		
Long-term liability to Östhammar municipality for purchase of land and buildings	-	-
Bond issue	758,301	799,687
Convertible debt	122,888	-
Non-current liability, cars under finance leases	60,740	352
<b>Total non-current liabilities</b>	<b>941,929</b>	<b>800,039</b>
<b>Parent</b>		
Bond issue	758,301	799,687
Convertible debt	122,889	-
<b>Total non-current liabilities</b>	<b>881,190</b>	<b>799,687</b>

The bond issue, with a nominal value of USD 120 (120) million, had a carrying amount of SEK 781,872 (830,760) thousand at the closing date and is stated net, with capitalised transaction costs of SEK -23,571 (-31,073) thousand. The fair value at the reporting date, measured on the basis of a quoted market price in an active market, was SEK 699,775 (689,531) thousand. The loan is due for full repayment in March 2016, and has call options after two, three or four years at prices of 106, 104 and 102 percent. The coupon rate is 11.75% and the remaining interest cost until the end of March 2016, using the closing exchange rate, is SEK 296,281 (439,264) thousand. The loan does not allow any dividends. Other significant conditions include a minimum liquidity of SEK 50 million and a limitation in the net interest bearing debt/EBITDA ratio. In addition, the Company has pledged assets totalling SEK 924,349 (553,175) thousand and shares in subsidiaries of SEK 200 (200) thousand. See also Note 30.

Dannemora Mineral AB issued 100% convertible bonds with a nominal value of SEK 136 million on 13 November 2012. The bonds mature three years from the date of issue at their nominal value of SEK 136 million or can be converted into shares at the request of the holder at a price of SEK 38.85 per share. The values of the liability portion and the equity portion (the conversion right) were determined on issuance. The fair value of the liability portion of the convertible bonds at 31 December 2012 was SEK 126,821 thousand, which is reported net in the table above with capitalised transaction costs of SEK -3,932. The fair value was calculated using cash flows discounted at a borrowing rate of interest of 15%.

**NOTE 27 OTHER PROVISIONS**

SEK thousands	2012	2011
<b>Group</b>		
<b>Restoration of the environment</b>		
At 1 January	242	242
Recognised in income statement:		
- reversals of provisions	-	-
<b>At 31 December</b>	<b>242</b>	<b>242</b>

The provisions consist of:

SEK thousands	2012	2011
Short-term portion	242	242
<b>Group total</b>	<b>242</b>	<b>242</b>

**Restoration of the environment**

This is described under provisions in note 2.

**NOTE 28 OTHER LIABILITIES**

SEK thousands	Group		Parent	
	2012	2011	2012	2011
Tax liabilities	78	78	-	-
VAT liability	795	-	722	-
Employee-related liabilities	2,958	1,749	968	706
Liabilities to Group companies	-	-	93	91
Current liability, cars under finance leases	11,727	792	-	-
Current liability to Östhammar for acquisition of land and buildings	13,000	13,000	-	-
Other current liabilities	15	-	-	-
<b>Total</b>	<b>28,573</b>	<b>15,619</b>	<b>1,783</b>	<b>797</b>

**NOTE 29 ACCRUALS AND DEFERRED INCOME**

SEK thousands	Group		Parent	
	2012	2011	2012	2011
Accrued expenditure on construction in progress	10,445	16,229	-	-
Accrued audit fees	263	110	263	110
Accrued Board fees	278	-	278	-
Accrued pension expenses	551	-	-	-
Accrued holiday pay	2,468	1,282	927	570
Accrued social security contributions	775	452	291	179
Accrued exploration and evaluation expenses	-	-	-	-
Deferred income	224	270	-	-
Accrued interest	27,351	26,844	27,351	26,844
Other items	424	242	9	57
<b>Total</b>	<b>42,779</b>	<b>45,429</b>	<b>29,119</b>	<b>27,760</b>

**NOTE 30 PLEDGED ASSETS**

SEK thousands	Group		Parent	
	2012	2011	2012	2011
Pledged assets				
Property mortgages	13,000	13,000	-	-
Pledged non-current assets	1,011,969	553,175	3,574	2,888
Pledged shares in subsidiaries	-	-	200	200
Pledged bank funds	7,200	141,692	200	97,614
Deposit in accordance with Minerals Act, to Mining Inspectorate of Sweden	114	111	114	111
<b>Total pledged assets</b>	<b>1,032,283</b>	<b>707,978</b>	<b>4,088</b>	<b>100,812</b>

**NOTE 31 CONTINGENT LIABILITIES**

SEK thousands	2012	2011
<b>Parent</b>		
Contingent liabilities for Group companies' commitments	13,000	13,000
<b>Parent total</b>	<b>13,000</b>	<b>13,000</b>

## NOTE 32 OBLIGATIONS

### Investment obligations

At the end of the period, contracted investments not yet recognised in the financial statements were as follows:

Group	2012	2011
Work in progress	15,800	92,142

The Parent Company did not have any investment obligations at 31 December 2012 or 2011.

### Obligations under operating leases

The Group leases premises in Mörbý under an operating lease.

Future lease payments under this non-cancellable lease fall due as follows:

Group	2012	2011
Within one year	492	458
1-5 years	-	530
After five years	-	-
<b>Group total</b>	<b>492</b>	<b>988</b>

Operating lease costs for the financial year amounted to SEK 461 (411) thousand.

## NOTE 33 EVENTS AFTER THE REPORTING DATE

In February, Dannemora Mineral announced that the logistics system was now fully developed for the planned delivery of 1.5 million tonnes of iron ore. In connection with the press release, Dannemora also reported that 23 iron ore deliveries have been made since the start of production, six of them in February.

At an Extraordinary General Meeting held on 21 January 2013, it was decided to amend the conditions for the outstanding convertible bonds. The amendment involves the introduction of a provision allowing an adjustment of the conversion price. The proposed amendment is in keeping with international standards on convertible debt.

On 15 February, The Board decided to conduct a fully guaranteed rights issue of SEK 211 million before issue costs.

An update of the mineral reserves was reported in March and showed a decrease in tonnage from 35.1 to 34.0 million tonnes.

On 20 March, it was announced that Ralf Nordén, who had been acting CEO since December 2012, would become the permanent CEO of Dannemora Mineral on 15 June 2013. At the same time, it was announced that the dormant subsidiary Dannemora Prospektering was being renamed Dannemora Iron Ore Development and that the majority of the relevant exploration permits would be transferred to the company.

The Board and CEO confirm  
that the consolidated annual financial statements have been prepared  
in accordance with International Financial Reporting Standards  
as adopted by the EU and provide a true and fair view of the Group's financial performance and position.  
The Parent Company's annual financial statements have been prepared in accordance with  
generally accepted accounting principles in Sweden  
and provide a true and fair view of the Company's financial performance and position.

The Board of Directors' report for the Group and Parent Company  
provides a true and fair view of the development of their operations, financial position  
and performance, and describes material risks and uncertainties to which  
the Parent Company and its subsidiaries are exposed.

The income statements and balance sheets for the Parent Company and Group  
will be submitted to the annual general meeting on 30 May 2013.

Dannemora, 26 April 2013

*Nils Bernhard*  
Chairman of the Board

*Nils Sandstedt*  
Deputy Chairman

*Lennart Falk*

*Christer Lindberg*

*Jarmo Tonteri*

*Robert Eek*

*Stefan Månsson*

*Ralf Nordén*  
President and CEO

Our audit report was submitted on 29 April 2013  
Öhrlings PricewaterhouseCoopers AB

*Annika Wedin*  
Authorised Public Accountant

To the Annual General Meeting of Dannemora Mineral AB (publ),  
reg.no. 556678-3329

### Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Dannemora Mineral AB (Publ) for the year 2012. The annual accounts and consolidated accounts are included in the printed version of this document on pages 52-79.

#### *Responsibility of board of directors and managing director*

The board and the managing director are responsible for preparing annual accounts which provide a true and fair view in accordance with the Swedish Annual Accounts Act, and consolidated accounts which give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the Swedish Annual Accounts Act, and for such internal control as the board and the managing director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors and the managing director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

#### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the said Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU. A corporate governance report has been prepared. The board of directors' report is consistent with the other parts of the parent company's annual financial statements and the consolidated annual financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the board of directors and managing director of Dannemora Mineral AB (Publ.) for the year 2012.

#### *Responsibility of board of directors and managing director*

The board of directors is responsible for the proposal for appropriations of the company's profit or loss, and the board of directors and the managing director are responsible for administration under the Companies Act.

#### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the board of directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the board of directors or the managing director is liable to the Company. We also examined whether any member of the board of directors or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

#### *Opinions*

We recommend to the annual general meeting of shareholders that the profit be appropriated in accordance with the proposal in the administration report and that the members of the board and the managing director be discharged from liability for the financial year.

Gävle, 29 April 2013

Öhrlings PricewaterhouseCoopers AB

Annika Wedin

Authorised Public Accountant



King Carl XVI Gustaf reopened the Dannemora mine on 13 June 2012 and took the opportunity to have a guided tour of the mine.

## Dannemora - the mine with a thousand-year pedigree

There is written evidence of the Dannemora mine from back in 1481. However, discoveries have been made from the 1200s and 1300s, and the mine is probably over a thousand years old. The large Storrymningen open cast is of medieval origin.

In a deed of gift from 1481 Sten Sture the Elder gave "the silver mine in the parish of Film" to Councillor of State Jakob Ulfsson, who was also Archbishop of Uppsala. In 1532, Gustav Vasa issued a charter to Joakim Piper for the "Dannemora Mine" and in 1545, the King established a company that would mine ore on the site. The iron ore supplied about 30 ironworks and became world-renowned for its quality. The area around Dannemora has a very large number of old mines and pits, which indicates large-scale mining activity. In the 1600s, the Dannemora mine was Europe's largest iron ore mine

and the iron obtained from mining there helped make Sweden an important industrial nation. Much of the iron ore was exported to England - particularly Sheffield, where steel was used for weapon-making.

The Dannemora mine was the main artery of Swedish prosperity for more than 300 years, right up to the beginning of the 1900s. In 1992, SSAB closed the mine due to a fall in demand and low iron ore prices.

On 17 March 2005, Dannemora Mineral AB was founded for the purpose of resuming production at the mine. On 13 June 2012, the Dannemora mine was reopened by King Carl XVI Gustaf and is back in operation again. This means that the wheel has turned full circle and a thousand-year-old tradition continues.

### Amphibole

Group of skarn minerals with the general composition  $[A,B]_{7-8}C_8O_{22}[OH]_2$  where A is Ca, K, B is Mg, Fe, Al, Mn and C are Si, Al.

### Anticline

A fold structure in a sequence of rock layers that are progressively older towards the centre of the fold.

### Base metals

Metals such as copper, zinc and lead.

### Blast furnace

Furnace in which the iron oxide in the ore is reduced to raw iron.

### Breccia

Rock formed by fragments from explosive volcanic eruptions.

### Carbonate rock

Rock consisting mainly of carbonate minerals such as calcite or dolomite.

### Core drilling

The same as diamond drilling.

### Crude ore

Ore that has been mined, but not yet undergone processing.

### Cut-off

Lowest acceptable grade to be included in an estimate of tonnage and average grade.

### Dannemorite

Skarn mineral with the chemical composition  $[Fe,Mn,Mg]_7Si_8O_{22}[OH]_2$ .

### Demolition

The rock is made secure manually or mechanically by loosening the stones in the drift wall and removing the roof.

### Development

Tunnelling in the ore body prior to production mining.

### Diamond drilling

A variety of rotary drilling with which a core (drill core) of bedrock is obtained.

### Dolomite

Mineral with the chemical composition  $CaMg(CO_3)_2$ .

### Drift

Virtually horizontal tunnel in an underground mine entrance.

### Due diligence

A process of reasonable investigation into the details of a potential investment.

### Environmental permit

Permission to carry out mining and ore processing activities. Issued under the Swedish Environmental Code.

### Eruption

Volcanic eruption.

### Exploitation Concession

Licence to mine a deposit.

### Exploration

Searching for ore.

### Exploration permit

Permit issued by Mining Inspectorate of Sweden to engage in exploration in a particular area.

### Fault

Crack or fracture zone along which the bedrock has shifted.

### Feasibility study

Analysis and evaluation of the viability of a proposed project.

### Fines

In this annual report, a product measuring less than 5 mm and containing approx. 55 percent iron.

### Folding phase

One of several periods in which the earth's crust is compressed and folds.

### Footwall

Mass of rock underlying a more or less inclined ore body.

### Garnet

Group of skarn minerals with the chemical composition  $A_3B_2(SiO_4)_3$ .

### Geophysical survey

Survey with instruments which show the physical properties of rocks, ore or tectonic structures.

### Granitoid

Silicon-rich igneous rock (cooled at depth in the earth's crust).

### Hanging wall

Mass of rock overlying a more or less inclined ore body.

### Head frame

Tower for bringing up ore from the mine. One of the purposes of the tower is to obtain a drop for the hoisted up ore.

### Inclined drift

Drift for descending into/ascending from a mine. Often in a spiral. Also called a ramp.

### Indicated mineral resource

A mineralised tonnage with a stated grade, estimated from reliable information, which clearly shows the continuity of the grade and the form and extent of the mineralisation.

### JORC

Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

### Knebelite

Skarn mineral with the chemical composition  $(FeMn)_2SiO_4$ .

### Limestone

Rock consisting mainly of the mineral calcite, with the chemical composition  $CaCO_3$ .

### Lump ore

In this annual report, a product measuring between 5 and 16 mm and containing approx. 50 percent iron.

### Magnetic separation

Method of separating minerals from waste rock magnetically.

**Magnetite**

Mineral with the chemical composition  $\text{Fe}_3\text{O}_4$ . Mined for extraction of iron.

**Magnetometry**

Method of mapping magnetic variations in the bedrock.

**Main level**

Drift system at a certain level where the ore transport mainly takes place.

**Measured mineral resource**

A mineralised tonnage with a stated grade estimated from very reliable information from observations in outcrops, drill holes, trenches and mining activities which clearly show the continuity of the grade and the form and extent of the mineralisation.

**Mineralisation**

Concentration of potential economically interesting minerals in the bedrock.

**Mining**

Extraction of rock or ore. Can be surface or underground mining.

**Open at depth**

Ore bodies for which the possible downward extension is unknown. Can be verified by diamond drilling.

**Ore**

Mineralisation which can be exploited with economic benefits.

**Ore chute**

A chute into which the ore is tipped before being unloaded at a main level.

**Pitting**

Small mining attempt.

**Precious metals**

Metals such as gold, silver and platinum.

**Probable mineral reserve**

The estimated quantity and grade of the mineral resource for which economic profitability has been shown (by means of adequate technical, economic and legal studies) with sufficient reliability to justify investment.

**Production drilling**

Drilling of upward holes in a fan-shaped pattern in a development drift where ore will be mined. Explosives are then introduced into the drill holes.

**Proven mineral reserve**

The part of the measured mineral resources for which quantity, grade, and technical, legal and economic factors are known with the highest grade of certainty.

**Pyroxene**

Group of skarn minerals with the general composition  $(\text{A,B})_2\text{C}_2\text{O}_6$ , where A is Ca, B is Mg, Fe, Mn and C are Si, Al.

**Ramp**

Tunnel for descending into/ascending from a mine. Often in a spiral. Also called an inclined drift.

**Screening**

Separation of grain size fractions.

**Shaft**

Vertical or near-vertical passage.

**Silicate**

Mineral containing silicon (Si) and oxygen (O).

**Skarn**

Silicate minerals which often accompany iron and sulphide mineralisations.

**Skip**

Lift cage for transporting ore in the shaft.

**Sorting**

Dry ore processing method which includes magnetic separation and screening.

**Sub-level caving**

Mining method often used for steeply positioned ores.

**Supracrustal rock**

Rocks formed on the earth's surface.

**Surface**

The part of the mining area that is not underground.

**Syncline**

A fold structure in a sequence of rock layers that are progressively younger towards the centre of the fold.

**Tectonics**

Branch of geology dealing with deformation of the bedrock.

**Waste rock**

Valueless non-metalliferous rock in the mine.





**GROUP OFFICE**

Dannemora Mineral AB  
Visiting and postal address:  
Svärdvägen 13  
SE-182 33 Danderyd  
Tel +46 (0)295-244 400  
Fax +46 (0)8-753 43 90  
E-mail [info@dannemoramineral.se](mailto:info@dannemoramineral.se)

**MINE OFFICE**

Dannemora Mineral AB  
Visiting and postal address:  
Storrymningsvägen 5  
SE - 748 30 Österbybruk  
Tel +46 (0)295-244 400  
Fax +46 (0)295-244 404  
E-mail [info@dannemoramineral.se](mailto:info@dannemoramineral.se)

ANNUAL REPORT

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