



## Interim Report

January-June 2013

### Second quarter 2013

- Net sales amounted to SEK 83.1 (13.6) million
- Earnings per share amounted to SEK -4.45 (-7.31)
- Cash flow was SEK 47.7 (-90.3) million
- 158,000 tonnes of finished products were delivered
- Investments made in the sorting plant have led to increases in weight recovery by an average of at least three percentage points
- Unexpected pockets of waste rocks temporarily lowered the recovery in May. Since then the recovery has performed strongly
- The rights issue raised SEK 211 million for the company before issuance costs

### January- June 2013

- Net sales amounted to SEK 171.8 (14.4) million
- Earnings per share amounted to SEK -11.82 (-7.67)
- Cash flow was SEK -56.1 (-333.3) million
- 347,000 tonnes of finished products were delivered

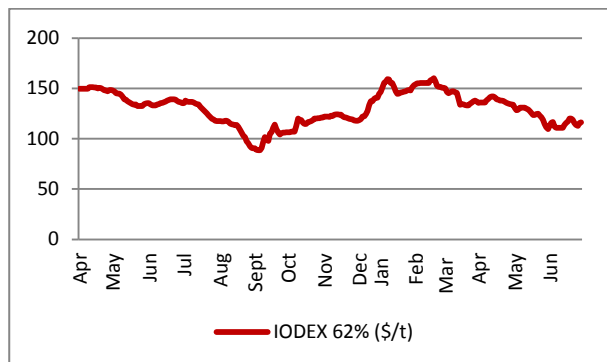
### Significant events after the end of the period

- Stefan Månsson left the Board on 5 July
- The company sought and was granted on 5 August, a temporary waiver from the terms of the bond agreement (ISIN NO 0010601198), which stipulates a minimum cash balance of SEK 50 million
- Recovery growth has remained strong during the early part of the third quarter and hovered around 40 per cent
- A new supply contract was concluded in August with voestalpine in Austria

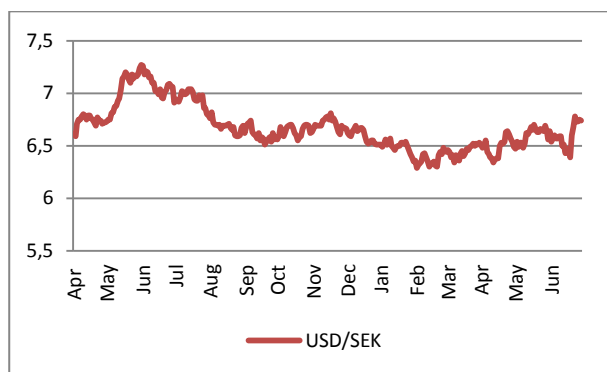
- The iron ore reference price has increased in the beginning of the third quarter and the spot price is at present about USD 137

## MARKET CONDITIONS

During the first half of the year, steel production fell by five per cent in Europe and increased by five per cent in Asia. Southern Europe mainly accounts for this decline. The price of hot-rolled coil has fallen during the period. The demand for steel significantly affects the demand for iron ore.



The market price of iron ore continued to fall during the first part of the quarter, only beginning a weak recovery in June. A high of USD 142.50 was reached in early April, with a low of USD 109.25 recorded at the end of May. The market price of iron ore affects Dannemora's prices with a lag of about one quarter.



The dollar exchange rate has fluctuated from a low of SEK 6.34 at the beginning of the quarter to a high of SEK 6.78 at the end. Dannemora Mineral does not hedge any of its income, so currency fluctuations have a direct impact on earnings.

## OPERATIONS

### Production and deliveries

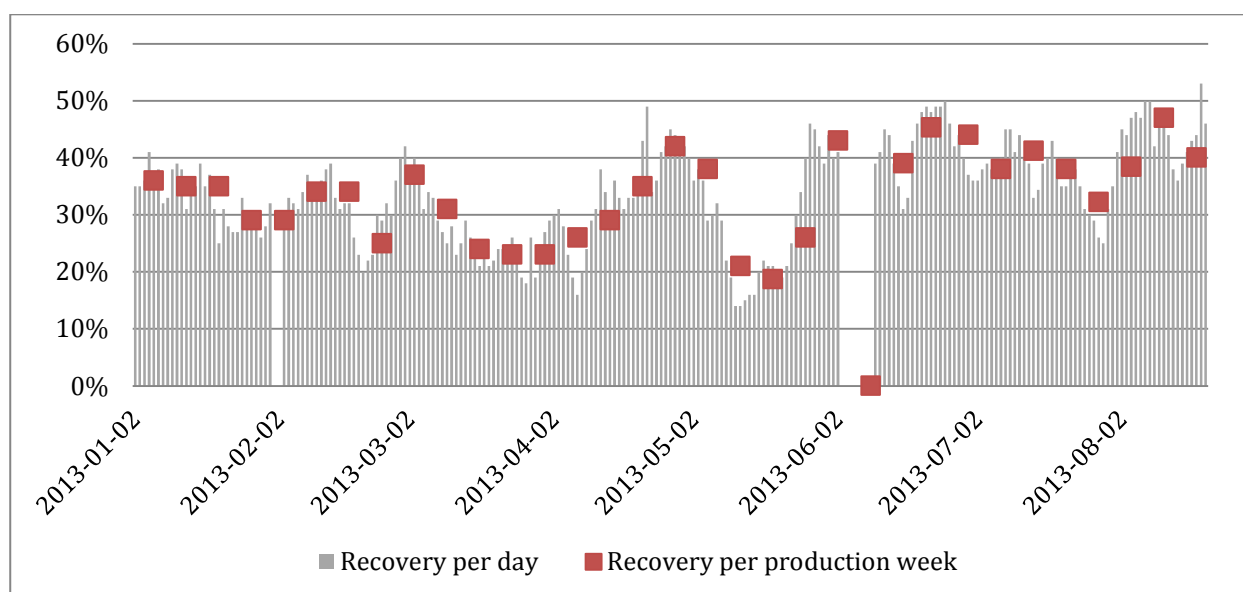
#### PRODUCTION

	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012	Full year 2012
Produced crude ore, mine (kt)	643	564	492	274	113	939
ROM crude ore, sorting plant (kt)	578	564	451	307	130	887
ROM crude ore, sorting plant (Fe %)	32	33	34	32	30	32
Outcome of finished product (kt)	196	171	159	81	32	271
Finished product recovery, plant (wt %)	34	30	35	26	25	31
Finished product shipped to customers (kt)	158	189	155	60	18	233

A new supply agreement was entered into during the quarter with ArcelorMittal in Katowice in Poland. During the period, eleven ships left port carrying iron ore. There was a certain stockpiling of inventories during the first part of the quarter, with the aim of ensuring ability to deliver even during the holiday season.

Production for the quarter began positively in April and recovery increased to a daily high of 49 per cent. In mid-May, unexpected pockets of waste rock were found in two of the otherwise high-grade ore bodies being processed. The pockets of waste rock were positioned in such a way that their mining was unavoidable, causing recovery to fall to a low of 14 per cent. In the latter part of May, recovery returned to levels of around 40 per cent.

During week 23, the first stage of investment was made in the action programme to increase recovery at the sorting plant. The installation took place both earlier (week 23 instead of week 27) and at a lower cost (SEK 25 million instead of SEK 30 million) than expected. The project involved installing two new separator stages to increase recovery and installing an ore bin before a crusher for optimised crushing. The investments also mean that the separation of waste materials can take place earlier in the process and allow for an increase in throughput at the sorting plant of over five per cent. Recovery has increased by an average of three percentage points, thanks to this investment.



## Exploration

An update of the Dannemora mine's mineral reserve has continued through ongoing diamond drilling for ore boundary determination and improved mine planning data.

## EXPLORATION PERMITS

Dannemora Mineral had as of June 30, 2013 nine granted exploration permits, with a total area of 3750.54 ha, and one exploitation concession of 176.8 ha.

## FUTURE PROSPECTS

The results from the investments made in stage one, with the aim of increasing the recovery and production capacity are somewhat better than anticipated. Stability has improved and recovery levels increased. The higher and more consistent quality of the products delivered to customers is starting to be reflected in a positive impact on the revenue and gives the opportunity to act more offensive on the market. Market conditions and demand for iron ore products are favourable.

The commission of and adjustment to the process are continuously progressing and may yield further improvements. At the same time the planning of investment stage two to further increases and stabilizes the recovery continues. Further tests are made to verify technical and economic assessments.

Production and recovery have been very positive in the summer and better than expected; this was a result of the investment in June and the continual process improvement work. Recovery has been approximately 40 percent. High recovery levels in August together with the cost savings presently indicate a positive EBITDA.

A pervasive internal review of the operations, aimed to increase the short term cash flow and the company's cash situation has been initiated. It is done by cost savings, efficiency gains and capital rationalisations. The review already shows results and will continue with high speed also in the third quarter. The goal of 65 million kroner in cost savings, which was commenced in the beginning of the year, will be reached. In the review further cost savings will be identified and carried out.

The negotiations with representatives of the company's bondholders have continued. The aim of these negotiations is to work together to produce a plan that will solve the company's financing needs. The first stage was to receive a waiver for a cash balance of at least SEK 50 million. Negotiations are now focusing on the short-term financing of the company's working capital in the third and fourth quarter of this year. Approximately SEK 120 million will be needed in working capital for the rest of 2013, which includes SEK 60 million for interest payments on bonds and convertible loans. In addition the company has initiated a discussion with bondholder's representatives regarding the long term financing.

The company has retained Swedbank First Securities, Recore AS and Roschier Advokatbyrå AB as advisors in the process to secure the funding. SRK Consulting is retained to make an independent technical and geological review of the assets in the Dannemora iron ore mine.

## RESULTS AND FINANCIAL POSITION

### GROUP

#### Revenue and earnings

Net sales during the second quarter, April-June, amounted to SEK 83.1 (13.6) million. This was mainly attributable to iron ore product sales of SEK 82.3 (12.9) million, while rental income accounted for the remainder. Profit/loss after net financial items for the second quarter amounted to SEK -130.9 (-110.9) million. Net financial items for the same period include foreign exchange losses of SEK -24.2 (-38.3) million.

Net sales during the first six months amounted to SEK 171.8 (14.4) million. This was mainly attributable to iron ore product sales of SEK 170.2 (12.9) million, while rental income accounted for the remainder. Profit/loss after net financial items for the same period amounted to SEK -264.8 (-111.2) million. Net

financial items for the same period include foreign exchange losses of SEK -24.5 (-4.3) million.

### **Liquidity and cash flow**

Cash flow from operating activities during the second quarter amounted to SEK -98.2 (-5.6) million. Cash flow from investing activities was SEK -42.3 (-183.7) million and cash flow from financing activities was SEK 188.2 (99.0) million, which meant that cash flow for the period ended on SEK 47.7 (-90.3) million. The Group's cash & cash equivalents stood at SEK 95.6 (295.8) million at the end of the quarter. Cash flow from financing activities related to the new share issue.

Cash flow from operating activities during the period, January-June, amounted to SEK -173.2 (-83.7) million. Cash flow from investing activities was SEK -71.0 (-348.6) million and cash flow from financing activities was SEK 188.1 (99.0) million, which meant that cash flow for the period ended on SEK -56.1 (-333.3) million.

The Group's interest-bearing liabilities at 30 June 2013 amounted to SEK 954.6 (835.6) million, of which SEK 805.6 (835.6) million, corresponding to USD 120 (120) million, relates to a bond issue, SEK 136.0 (-) million to convertible debt and SEK 13 (-) million to a real estate loan.

At an Extraordinary General Meeting held on 21 January 2013, it was decided to amend the conditions of the outstanding convertible bonds approved at the EGM on 13 November 2012. The amendment involves the introduction of a provision allowing recalculation of the conversion rate, which will be appropriate for private placements in certain cases. The proposed amendment, which was adopted with a minor change proposed by the Board, is in line with international standards on convertibles.

The Extraordinary General Meeting held on 13 March adopted the Board's proposal to conduct a fully guaranteed rights issue of SEK 211 million before issue costs. The issue was fully covered by subscription undertakings and guarantee commitments. Four existing A or B shares entitled the holder to subscribe for five new B shares at a price of SEK 11. The share issue brought the company SEK 211 million before share issue costs. The issue increased the company's share capital by SEK 3,072,080 and the number of shares by 19,200,500 B shares.

### **Investments**

Investments during the second quarter amounted to SEK 38.3 (151.6) million. These were distributed as follows: work in progress 37.9 (150.3) million, plant & machinery 0.1 (0.3) million, exploration & evaluation 0.2 (0.0) million and licences 0.1 (0.9) million.

Investments during the period January-June amounted to SEK 59.9 (342.3) million. These were distributed as follows: work in progress 57.6 (339.2) million, plant & machinery 1.8 (0.6) million, exploration & evaluation 0.3 (0.1) million and licences 0.2 (2.3) million.

### **Employees**

The average number of employees during the quarter was 95 (60), of whom 26 (21) were women. The average number of employees during the first six months of the year was 89 (58), of whom 25 (18) were women. At 30 June, the number of employees was 102, of whom 29 were women.

## **SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD**

Dannemora Mineral sought and was granted on 5 August, a temporary waiver from the terms of the bond agreement (ISIN NO 0010601198), which stipulates a minimum cash balance of SEK 50 million. The

Company will be unable to meet this requirement at times during the third quarter.

In early July, Stefan Månsson chose to resign from the Board of Dannemora Mineral AB of his own volition and with immediate effect. The reason for this is his new post as a director of Northland Resources.

The iron ore reference price has increased in the beginning of the third quarter and the spot price is at present about USD 137.

### **Risks and uncertainties**

For a description of the Company's risks, see the Risks analysis on pages 18-19 and Note 3, Financial risk management on page 71 of Dannemora Mineral's 2012 annual report.

### **Forthcoming financial information**

Interim report for period January – September 2013  
Year-end report for 2013

28 October  
February 2014

## **ACCOUNTING POLICIES**

### **Group**

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Financial Reporting Board's recommendation RFR 1 and, in the Parent Company's case, RFR 2. The same accounting policies and methods of computation are followed in the interim financial statements as in the most recent annual financial statements, apart from the cases described below.

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

When preparing this interim report there were a number of standards, amendments and interpretations of existing standards which had not yet come into force. Dannemora Mineral has decided against early adoption of these standards, amendments and interpretations. The standard considered to be relevant to the Group are IFRS 9 Financial Instruments. The Group intends to apply the new standard no later than the financial years beginning 1 January 2015. IFRS 9 has not yet been adopted by the IASB. Dannemora Mineral has yet to assess the full implications of the revised standards on its financial reporting.

### **Dannemora, 26 August 2013**

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

Lennart Falk, Chairman  
Christer Lindberg  
Åke Roos  
Michael Rosenlew

*The geological data in the exploration section of this interim report has been approved by Thomas Lindholm who is registered as a qualified person (QP) in accordance with the international JORC Code.*

*This report has not been reviewed by the Company's auditors.*

*For further information, please contact:*

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## Group

### STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousands	Apr-Jun 2013	Apr-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
Net sales	83 134	13 633	171 761	14 439	137 293
Changes in inventories	16 266	11 179	10 635	11 179	12 112
Other external expenses	-132 478	-63 192	-277 256	-89 520	-295 568
Personnel expenses	-18 892	-12 724	-35 698	-22 249	-48 423
Depreciation/amortisation and impairment of assets	-27 134	-5 381	-53 711	-5 890	-33 724
<b>Operating profit/loss</b>	<b>-79 104</b>	<b>-56 485</b>	<b>-184 269</b>	<b>-92 041</b>	<b>-228 310</b>
Finance income	323	825	373	2 084	53 155
Finance costs	-52 166	-55 192	-80 913	-21 276	-65 682
Net financial items	-51 843	-54 367	-80 540	-19 192	-12 527
<b>Profit/loss after financial items</b>	<b>-130 947</b>	<b>-110 852</b>	<b>-264 809</b>	<b>-111 233</b>	<b>-240 837</b>
Tax on profit/loss for the year	-	-	-	-	-18
<b>Profit/loss for the period</b>	<b>-130 947</b>	<b>-110 852</b>	<b>-264 809</b>	<b>-111 233</b>	<b>-240 855</b>
Other comprehensive income for the period:					
Items that will not be reclassified to net income	-	-	-	-	-
Items that may be reclassified to net income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-130 947</b>	<b>-110 852</b>	<b>-264 809</b>	<b>-111 233</b>	<b>-240 855</b>
<b>Comprehensive income for the period attributable to:</b>					
Owners of the parent	-130 947	-110 852	-264 809	-111 233	-240 855
<b>Earnings per share, based on profit/loss attributable to owners of the parent during the period</b>					
Earnings per share before and after full dilution, SEK	-4,45	-7,31	-11,82	-7,67	-16,13



**STATEMENT OF FINANCIAL POSITION**

Amounts in SEK thousands

<b>ASSETS</b>	30/06/2013	30/06/2012	31/12/2012
<b>Non-current assets</b>			
<i><b>Intangible assets</b></i>			
Exploration and evaluation assets Dannemora	33 718	36 651	34 999
Other exploration and evaluation assets	1 776	3 528	3 486
Licences	3 696	3 819	3 753
	39 190	43 998	42 238
<i><b>Property, plant &amp; equipment</b></i>			
Land and buildings	606 369	407 665	432 973
Plant and machinery	304 332	48 330	328 294
Equipment, tools and fixtures & fittings	11 517	1 422	9 828
Work in progress	218 700	551 653	353 639
	1 140 918	1 009 070	1 124 734
Financial assets	2 325	2 323	2 324
	2 325	2 323	2 324
<b>Total non-current assets</b>	<b>1 182 433</b>	<b>1 055 391</b>	<b>1 169 296</b>
<b>Current assets</b>			
Inventories	30 877	11 179	20 242
Trade receivables	13 560	13 049	8 071
Other receivables	15 155	16 954	16 434
Prepayments and accrued income	9 158	8 351	10 392
Cash & cash equivalents	95 607	295 845	152 049
<b>Total current assets</b>	<b>164 357</b>	<b>345 378</b>	<b>207 188</b>
<b>TOTAL ASSETS</b>	<b>1 346 790</b>	<b>1 400 769</b>	<b>1 376 484</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>197 052</b>	<b>393 971</b>	<b>273 719</b>
<b>Non-current liabilities</b>	<b>965 846</b>	<b>837 041</b>	<b>941 929</b>
<b>Current liabilities</b>			
Trade payables	64 745	107 046	89 242
Other liabilities	29 702	26 112	28 573
Accruals and deferred income	89 445	36 599	43 021
<b>Total current liabilities</b>	<b>183 892</b>	<b>169 757</b>	<b>160 836</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 346 790</b>	<b>1 400 769</b>	<b>1 376 484</b>

**STATEMENT OF CHANGES IN EQUITY**

Amounts in SEK thousands	Attributable to owners of the Parent			
	Share capital	Other paid-in capital	Retained earnings	Total equity
Opening balance, 1 January 2012	2 218	632 111	-228 103	406 226
Comprehensive income for the period			-111 233	-111 233
New share issue	240	103 260		103 500
Issue expenses		-4 522		-4 522
<b>Closing balance, 30 June 2012</b>	<b>2 458</b>	<b>730 849</b>	<b>-339 336</b>	<b>393 971</b>
Opening balance, 1 January 2013	2 458	740 203	-468 942	273 719
Comprehensive income for the period			-264 809	-264 809
New share issue	3 072	208 133		211 205
Issue expenses		-23 063		-23 063
<b>Closing balance, 30 June 2013</b>	<b>5 530</b>	<b>925 273</b>	<b>-733 751</b>	<b>197 052</b>

**CASH FLOW STATEMENT**

Amounts in SEK thousands	Apr-Jun 2013	Apr-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
Operating activities					
Cash flow before changes in working capital	-51 894	-51 335	-174 191	-86 123	-253 534
Changes in working capital	-46 272	45 704	1 007	2 442	26 309
<b>Cash flow from operating activities</b>	<b>-98 166</b>	<b>-5 631</b>	<b>-173 184</b>	<b>-83 681</b>	<b>-227 225</b>
Investing activities					
Investment in intangible assets	-232	-1 172	-488	-2 738	-3 019
Investment in property, plant & equipment	-42 111	-182 302	-70 571	-345 698	-471 261
Investment in financial assets	-	-200	-1	-200	-201
<b>Cash flow from investing activities</b>	<b>-42 343</b>	<b>-183 674</b>	<b>-71 060</b>	<b>-348 636</b>	<b>-474 481</b>
Financing activities					
New share issue	188 198	98 994	188 142	98 994	98 735
Bond issue	-	-	-	-	131 890
<b>Cash flow from financing activities</b>	<b>188 198</b>	<b>98 994</b>	<b>188 142</b>	<b>98 994</b>	<b>230 625</b>
<b>Cash flow for the period</b>	<b>47 689</b>	<b>-90 311</b>	<b>-56 102</b>	<b>-333 323</b>	<b>-471 081</b>
Cash & cash equivalents at beginning of period	47 801	383 340	152 049	628 836	628 836
Exchange gains/losses	117	2 816	-340	332	-5 706
Cash & cash equivalents at end of period	95 607	295 845	95 607	295 845	152 049

**KEY FIGURES**

	Apr-Jun 2013	Apr-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
EBITDA	-51 970	-51 104	-130 558	-86 151	-194 586
Profit/loss after financial items, SEK thousands	-130 947	-110 852	-264 809	-111 233	-240 837
Return on total assets, %	-6,0	-4,0	-13,5	-6,6	-12,9
Return on equity, %	-77,7	-24,7	-112,5	-27,8	-70,8
Equity, SEK thousands	197 052	393 971	197 052	393 971	273 719
Equity/assets ratio, %	14,6	28,1	14,6	28,1	19,9
Gross investments in property, plant & equipment, SEK thousands	38 041	150 745	59 425	339 899	433 164
Earnings per share before and after full dilution, SEK	-4,45	-7,31	-11,82	-7,67	-16,13
Outstanding shares on reporting date before full dilution (thousands)	34 560,9	15 360,4	34 560,9	15 360,4	15 360,4
Outstanding shares on reporting date after full dilution (thousands)	37 960,9	15 360,4	37 960,9	15 360,4	18 760,4
Average no. of shares before full dilution (thousands)	29 440,8	15 160,4	22 400,6	14 510,4	14 935,4
Average no. of shares after full dilution (thousands)	32 840,8	15 160,4	25 800,6	14 526,2	15 387,2

## Parent Company

### INCOME STATEMENT

Amounts in SEK thousands	Apr-Jun 2013	Apr-Jun 2012	Jan-Jun 2013	Jan-Jun 2012	Full year 2012
Net sales	6 852	4 989	13 875	7 422	19 834
Other external expenses	-8 455	-7 481	-14 422	-10 773	-29 711
Personnel expenses	-3 937	-3 182	-8 068	-6 216	-13 002
Depreciation, amortisation and impairment of assets	-480	-578	-2 868	-630	-1 812
<b>Operating profit/loss</b>	<b>-6 020</b>	<b>-6 252</b>	<b>-11 483</b>	<b>-10 197</b>	<b>-24 691</b>
Other interest and similar income	1 948	3 686	4 436	7 512	63 825
Interest and similar expense	-53 928	-64 828	-85 260	-57 287	-106 255
<b>Net financial items</b>	<b>-51 980</b>	<b>-61 142</b>	<b>-80 824</b>	<b>-49 775</b>	<b>-42 430</b>
Profit/loss after financial items	-58 000	-67 394	-92 307	-59 972	-67 121
Tax on profit/loss for the year	-	-	-	-	-
<b>Profit/loss for the period</b>	<b>-58 000</b>	<b>-67 394</b>	<b>-92 307</b>	<b>-59 972</b>	<b>-67 121</b>
Other comprehensive income for the period:					
Items that will not be reclassified to net income	-	-	-	-	-
Items that may be reclassified to net income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-58 000</b>	<b>-67 394</b>	<b>-92 307</b>	<b>-59 972</b>	<b>-67 121</b>

**BALANCE SHEET**

Amounts in SEK thousands

30/06/2013

30/06/2012

31/12/2012

**ASSETS**
**Non-current assets**
**Intangible assets**

Capitalised expenditure

17 558

20 711

19 817

Licences

3 086

3 407

3 262

20 644

24 118

23 079

Property, plant &amp; equipment

219

457

312

219

457

312

**Financial assets**

Shares in Group companies

300

300

300

Other non-current receivables

125

123

124

425

423

424

**Total non-current assets**
**21 288**
**24 998**
**23 815**
**Current assets**

Current receivables

1 163 811

982 665

982 750

Cash and bank balances

24 968

199 627

72 662

**Total current assets**
**1 188 779**
**1 182 292**
**1 055 412**
**TOTAL ASSETS**
**1 210 067**
**1 207 290**
**1 079 227**
**EQUITY AND LIABILITIES**
**Equity**
**Restricted equity**

Share capital

5 530

2 458

2 458

Statutory reserve

1 078

1 078

1 078

6 608

3 536

3 536

Unrestricted equity

247 256

357 064

154 493

**Total equity**
**253 864**
**360 600**
**158 029**

Non-current liabilities

910 986

808 262

881 190

Current liabilities

45 217

38 428

40 008

**TOTAL EQUITY AND LIABILITIES**
**1 210 067**
**1 207 290**
**1 079 227**

Pledged assets

3 820

3 864

4 088

Contingent liabilities

13 000

13 000

13 000

*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 engages in exploration activities to increase the iron ore base locally and regionally, and to explore for base and precious metals in several areas in Uppland where the potential for finding mineable deposits is considered good.*

*Dannemora Mineral comprises the Parent Company Dannemora Mineral AB and the wholly-owned subsidiaries Dannemora Magnetit AB (responsible for operation of the Dannemora mine and the Group's exploration activities) and Dannemora Förvaltnings AB (responsible for the property portfolio).*

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

*Dannemora Mineral AB is listed on OMX First North Stockholm and Oslo Axess. The Company's Certified Adviser on First North is Remium Nordic AB.*

*The Company's independent qualified person is mining engineer Thomas Lindholm, GeoVista AB, Luleå. Thomas Lindholm is qualified as a Competent Person as defined in the JORC Code based on education and experience in exploration, mining and estimation of mineral resources of iron, base and precious metals.*