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## Press release 15 February 2013

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### Dannemora Mineral fully financed through guaranteed rights issue of approx. 211 million

#### Summary

- The Board of Dannemora Mineral has resolved, subject to approval by an extraordinary general meeting, to conduct a rights issue of up to approx. SEK 211 million before issue costs
- The rights issue is fully covered by subscription undertakings (3.4 percent) and guarantee commitments (96.6 percent) issued by a consortium of guarantors set up by Pareto Öhman and consisting of Swedish and international investors
- Four existing A or B shares entitle the holder to subscribe for five new B shares
- The issue price is set at SEK 11.00 per new B share
- The rights issue is conditional on the granting of a waiver in relation to certain covenants associated with the Company's bond loan.

#### Background and rationale

Commercial production of iron ore products at the Dannemora mine began in April 2012. Supply agreements have been signed with Northern European steel producers, and logistics have run smoothly. To date, 21 shipments by sea have been delivered to end customers.

However, production of iron ore products in 2012 was lower than planned, amounting to 270 kt, rather than the planned 400 kt. The lower production and an unfavourable dollar rate resulted in an unplanned liquidity decline of approx. SEK 100 million.

The lower production was largely due to a lower than expected yield at the sorting plant. An action programme aimed at gradually increasing the yield is in progress. The action programme is expected to involve investments of SEK 30 million in 2013 and SEK 80 million in 2014.

On the basis of the above factors, the Board of Dannemora Mineral has decided, subject to approval by an extraordinary general meeting, to conduct a fully guaranteed rights issue of up to approx. SEK 211 million before issue costs.

#### Future scenario

##### *First mover advantage*

The Scandinavian iron ore industry is undergoing significant structural change, with a number of junior companies and early-phase projects trying to establish themselves. It is Dannemora Mineral's aim to become a medium-sized producer of iron ore products with production of over 5 million tonnes by participating in the consolidation of the industry. This aim can be achieved by exploiting the following competitive advantages:

- Dannemora Mineral will be the first "new" project with a positive cash flow, which can be used for consolidation and development of projects

- Dannemora Mineral has gained extensive knowledge and experience by developing the Dannemora iron ore mine from concept to production
- Since the project was launched, Dannemora Mineral has developed a strong network in the mining industry, the financial sector and among relevant institutions and authorities

#### *EBITDA scenarios*

The Company has worked out a number of different scenarios for EBITDA development based on different future iron ore prices. Our current operations are expected to show negative EBITDA in Q1, but positive EBITDA from Q2 2013 onwards. The main reason for the current quarter's negative EBITDA is low contract prices for iron ore, as they are based on the low global market prices at the end of last year.

	2013	2014	2015	Long-term
Ore mining (mt)	2.7	2.8	3.0	3.5
Fe content in ore				
Iron ore products (mt)	1.1	1.2	1.5	2.0
Yield	41 %	45 %	51 %	58 %
Cash cost/ton (SEK)	425	327	270	253
Cash cost/ton (USD)	65	50	46	39
Price scenario 130				
IODEX 62% CFR China (USD)	133	130	130	130
EBITDA	40	177	329	518
Price scenario 150				
IODEX 62% CFR China (USD)	141	150	150	150
EBITDA	81	293	469	700
Price scenario 110				
IODEX 62% CFR China (USD)	127	110	110	110
EBITDA	13	61	189	246

*Based on exchange rate SEK/USD = 6.50*

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 Company is also investigating the possibility of increasing the yield to 58 percent, which is in line with the yield at the old sorting plant in the 1960s. Together with the ongoing rationalisation, it is expected that this will increase the sorting plant capacity to 2.0 million tonnes of finished products. This is within the framework of the Company's environmental permit.

After a capacity increase of this scale, EBITDA is expected to be between SEK 500-700 million with a long-term iron ore price of 130 USD/ton - 150 USD/ton.

#### **Rights issue**

On 15 February 2013, the Board of Dannemora Mineral resolved, subject to approval by an extraordinary general meeting, to issue B shares amounting to approx. SEK 211 million with preferential rights for the Company's existing shareholders. The Company's shareholders will have preferential rights to subscribe for new B shares in proportion to the number of shares (both A and B shares) they own on the record date. A Notice of Extraordinary General Meeting will be published shortly.

If not all shares are subscribed for through the exercise of subscription rights, shareholders and other external investors will be entitled to subscribe for shares without the exercise of subscription rights, in which case the subsequent allotment will be made in accordance with the principles of the Board's decision.

Holders of shares in the Company on the record date, 22 March 2013, will be granted subscription rights. 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 is expected to generate proceeds of approx. SEK 211 million before issue costs. The rights issue will increase the Company's share capital by a maximum of SEK 3,072,080 and the number of shares by a maximum of 19,200,500 B shares.

The subscription period will run from 26 March 2013 until 10 April 2013, inclusive. The Board reserves the right to extend the subscription period. Trading in subscription rights will be on NASDAQ OMX First North from 26 March 2013 until 5 April 2013, inclusive. Subscription rights that have not been used to subscribe for shares by 10 April 2013 or sold by 5 April 2013 will be void and without value.

### **Conditions of the rights issue**

The rights issue is conditional on the bondholders granting the Company a waiver from the following covenants in the bond contract:

1. Net debt/EBITDA ratio not to exceed 4.0; waiver to 31 December 2014, inclusive; and
2. Minimum liquidity of SEK 50 million; waiver for up to six weeks until the proceeds from the rights issue have been received by the Company.

A Notice of a Bondholders' meeting will be published shortly.

Detailed conditions relating to the rights issue will be described in the prospectus due for publication on or around 21 March 2013. The prospectus will be available on the websites of Dannemora Mineral, Pareto Öhman and the Swedish Financial Supervisory Authority.

### **Subscription undertakings and guarantee commitments**

The rights issue is fully covered by subscription undertakings and guarantee commitments. Subscription undertakings amount to SEK 7.2 million, corresponding to 3.4 percent of the issue proceeds. A consortium of guarantors set up by Pareto Öhman has guaranteed under specific conditions approx. SEK 204 million, corresponding to 96.6 percent of the issue proceeds. The guarantors are a consortium of Swedish and international investors.

### **Preliminary schedule**

19 March 2013 Last day of trading in the Company's shares with the right to receive subscription rights

21 March 2013	Estimated date for publication of the prospectus
22 March 2013	Record date for participation in the rights issue
26 March - 5 April 2013	Trading in subscription rights
26 March - 10 April 2013	Subscription period
16 April 2013	Announcement of preliminary outcome

**Financial and legal advisers**

Pareto Öhman is financial adviser to Dannemora Mineral. Gernandt & Danielsson Advokatbyrå KB is legal advisor to Pareto Öhman. Kilpatrick Townsend & Stockton Advokat KB is legal adviser to Dannemora Mineral.

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This document has not been approved by any regulatory authority. This document is a press release and not a prospectus and investors should not subscribe for, or purchase any securities referred to in this document, except on the basis of information that will be provided in the prospectus to be published by the Company and on its website in due course.

## **EUROPEAN ECONOMIC AREA**

The Company has not resolved to offer to the public securities in any Member State of the European Economic Area other than Sweden and any other jurisdiction into which the offering of securities may be passported. Within such Member States of the European Economic Area other than Sweden (and any other jurisdiction into which the offering of securities may be passported) and which has implemented the Prospectus Directive (each, a "Relevant Member State"), no action has been undertaken as of this date to make an offer to the public of securities requiring a publication of a prospectus in any Relevant Member State. As a result hereof, the securities may only be offered in a Relevant Member State: (a) to a qualified investor (as defined in the Prospectus Directive or under applicable law); or (b) in any other circumstances, not requiring the Company to publish a prospectus as provided under Article 3(2) of the Prospectus Directive.

For the purposes hereof, the expression an "offer to the public of securities" in any Relevant Member State means the communication, in any form, of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase any securities, as the same may be varied in a Relevant Member State due to the implementation of the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC including any relevant implementing measure in each Relevant Member State.

Pareto Öhman is acting for the Company and no one else in connection with the Rights Issue and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Rights Issue or any other matter referred to in this announcement.

Pareto Öhman accepts no responsibility whatsoever and makes no representation or warranty, express or implied, for the contents of this announcement, including its accuracy, completeness or verification or for any other statement made or purported to be made by Pareto Öhman, or on its behalf, in connection with the Company and the securities or the Rights Issue, and nothing in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Pareto Öhman accordingly disclaims to the fullest extent permitted by law all responsibility and liability whether relating to damages, contract or otherwise which it might otherwise have in respect of this announcement or any such statement.

## **FORWARD-LOOKING STATEMENTS**

This press release contains forward-looking statements that reflect management's current views with respect to future events and potential financial performance. Although the Company believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results can differ materially from those set out in the forward-looking statements as a result of various factors. You are advised to read this announcement, and the prospectus and the information incorporated by reference therein, in their entirety for a further discussion of the factors that could affect the Company's future performance and the industries in which the Company operates. In light of these risks, uncertainties and assumptions, it is possible that the events described in the forward-looking statements in this announcement may not occur.

*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 deposit in the Dannemora Mine, and activity is focused mainly on the mining of this deposit at present.*

*The Company is listed on NASDAQ 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.*