

## Interim Report

## January – September 2009

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- Steel companies in Europe are gradually increasing their capacity utilisation now that the global economy is continuing to show signs of recovery. The World Steel Association is predicting that steel use in the world will increase by more than nine percent in 2010.
- The draining of the mine is continuing according to plan. More than 2 million m<sup>3</sup> of water has been pumped out and the main level of 350 metres has now been passed.
- The production of ore products for trial deliveries started in September. 40,000 tonnes of iron ore are currently being processed in a mobile plant and negotiations are underway with several European steel companies.
- Geophysical surveys of the measured ores in the northern section of the Dannemora field have shown extensions down to a depth of several hundred metres, and in some cases with the potential of going down to one thousand metres.
- Profit/loss after net financial items for the period January – September 2009 amounted to SEK -17.3 (-13.3) million.
- Cash flow from operations in the period January – September 2009 was SEK -17.2 (-18.9) million.
- Investments in the period January – September 2009 amounted to SEK 49.4 (44.2) million.
- Cash & cash equivalents at 30 September 2009 amounted to SEK 72.9 (167.9) million.

## **DANNEMORA MINERAL AB**

On 3 September the company gave a capital markets presentation at the Stockholm Corporate Finance Capital Markets Day. A total of 17 companies from NASDAQ OMX First North and Small Cap, and NGM Equity, gave presentations for more than 200 people during the day. All of the presentation reports were put on the internet, with Dannemora's report attracting around 440 visitors in the weeks immediately following the capital markets day.

On 18 August the working committee of Östhammar Municipality produced a status report on the activities in Dannemora and on 31 August the County Council in Västerås was informed of the company and its plans for the Riddarhyttan field.

## **DANNEMORA MAGNETIT AB**

### **Market conditions**

In the autumn the steel market also improved in Europe, with capacity utilisation approaching 75%. The demand for steel increased; for example the prices of hot-rolled strips have risen by 25 percent since March this year. This rapid change means that the steelworks in Europe have been finding it difficult to replenish their ore reserves back to their normal levels. The World Steel Organisation (ESA) has revised its forecast for steel use in 2010 to an increase of more than 9 percent and many analysts believe that the prices of iron ore will go up next year. This more optimistic view has led to Dannemora negotiating for trial deliveries to a number of steelworks.

### **Pumping the mine dry**

The project to drain the Dannemora mine started on 26 May. So far more than 2 million m<sup>3</sup> of water have been pumped out of the mine. One of the previous main levels of -350 metres has now been passed, which means that it is now ready for inspection and preparatory installation work. The water from the mine passes through a sedimentation plant before being pumped to the receiving water. A control programme was set up in the third quarter with the supervisory authority, the County Administrative Board. Pumping is expected to be finished in the summer of 2010 when the mine is dry, and after this time only maintenance pumping will be carried out.

### **Ore production for trial deliveries**

The rock work that Bergteamet AB carried out in the spring, with ramp development and tunnelling work in Strömsmalmen, has generated around 40 thousand tonnes of iron ore. This iron ore is being processed this autumn in a mobile crushing, screening and magnetic separation plant, for the purpose of making trial deliveries to European steel companies. The plant was built in the summer and started operations at the end of September.

### **Declaration of intent with the Swedish Rail Administration**

The work to transfer the declaration of intent to an implementation contract is now in progress and is expected to be finished in November.

### **Financing and schedule**

To satisfy lenders' need for an unbiased insight into the project, the customary technical, legal, environmental and financial due diligence processes were begun in autumn 2008. This work is now in its final phase, and the conclusions from the due diligence report is scheduled to be published in the 4<sup>th</sup> quarter.

The operational start of the ore processing plant is planned for summer 2011, with the full-scale annual production of 1.5 million tonnes of iron ore products scheduled for autumn 2012.

### **Exploration**

In the third quarter, much of the work was focused on increasing knowledge about the Dannemora field. Exploration was also conducted under the Riddarhyttan exploration permits as well as the Film exploration permit in the northern part of the Dannemora field.

At the end of the third quarter, Dannemora Mineral had 28 granted exploration permits, with a total area of 22,357 ha, and one exploitation concession of 176.8 ha. One exploration permit was extended during the period. All the

exploration permits and the exploitation concession for the Dannemora field are wholly owned by the parent company.

#### *Dannemora exploitation concession*

The logging of Dannemora mine's historical drill cores has now been completed. The final analysis results came in during the third quarter. The logging work that was carried out at the end of 2008 and the first half of 2009 will provide better data to help increase our knowledge of magnetite mineralisations with iron grades of between 20 and 30% Fe.

In the 1960s and 1970s eight diamond drill holes were drilled here, divided between the Norrnäs and Storrymning fields, which were the subjects of geophysical surveys using three-component magnetometry. Interpretation work, encompassing a drilling length of 5,095 metres, has been carried out by Dannemora Magnetit AB in close collaboration with the consultancy firm Georent.

Norrnäsmalmerna has currently been logged to a depth of more than 400 metres, with the results of the geophysical measurements showing an extension down to a depth of 580 metres. Sveamalmen, which has currently been logged to a depth of more than 600 metres, shows an extension down to a depth of 800 metres. In addition, the drill hole measurements indicate that both the Norrnäsmalmerna and Sveamalmen have good iron ore potential as far down as 1,000 metres.

#### *Film exploration permit*

In the third quarter a ground magnetic survey was started of Kulbolsmossen, north of the Dannemora mine. The aim of this work is to investigate a possible extension of the Dannemora field to the north. 24.7 profile kilometres were measured during this period.

#### *Riddarhyttan exploration permits no. 1 and no. 3*

In the second quarter of 2009 mapping and sampling of the Bäckegruvan mine's historical drill cores were carried out in SGU's [Geographical Survey of Sweden] archives in Malå. 23 drill cores were logged and 125 samples were submitted for analysis. The results from these new analyses came in during the third quarter and a basic evaluation was made. The historical information from the mine's closure in 1979 seems to tally with the new results.

In the third quarter a detailed ground magnetic survey was carried out, covering 48.2 profile kilometres. A ground magnetic map has been produced and the results show how the mining zone at Bäckegruvan has been divided into several long magnetite mineralisations.

## **FUTURE PROSPECTS**

Dannemora Mineral expects the trial deliveries and their financing to be implemented in spring 2010.

Operations in the iron ore processing plant are scheduled to start in summer 2011, while the full-scale annual production of 1.5 million tonnes is expected to be reached in autumn 2012.

## **RESULTS AND FINANCIAL POSITION**

### **Accounting policies**

This interim report has been prepared in accordance with Swedish GAAP, with the exception of accounting for exploration and evaluation assets where IFRS 6 has been applied. The accounting policies applied are unchanged from those in Dannemora Mineral's most recent annual report.

### **GROUP**

#### **Sales and financial performance**

The reported sales consist entirely of rental income. Sales for the period January – September 2009 amounted to SEK 2.3 (1.7) million. Profit/loss after net financial items during the same period amounted to SEK -17.3 (-13.3) million.

Sales for the 3<sup>rd</sup> quarter, July – September 2009, amounted to SEK 0.7 (0.9) million. Profit/loss after net financial items during the same period amounted to SEK -5.7 (-2.8) million.

### **Liquidity and cash flow**

Cash flow from operations in the period January – September 2009 was SEK -17.2 (-18.9) million. After investing activities of SEK -58.6 (-25.4) million and financing activities of SEK 0.0 (148.4) million, cash flow for the period was SEK -75.8 (104.1) million. The Group's cash & cash equivalents ended the period on SEK 72.9 (167.9) million.

Cash flow from operations in the 3<sup>rd</sup> quarter, July – September 2009, amounted to SEK -0.6 (0.1) million. After investing activities of SEK -11.2 (-17.2) million and financing activities of SEK 0.0 (148.2) million, cash flow for the period was SEK -11.8 (131.2) million.

The Group did not have any interest-bearing liabilities at 30 September 2009.

### **Investments**

Investments in the period January – September 2009 amounted to SEK 49.4 (44.2) million. SEK 2.4 (5.1) million of these investments was attributable to exploration activities and SEK 0.5 (2.6) million to investigation work relating to future planned mining operations. Investments in land and buildings totalled SEK 0.8 (15.5) million, while investments in construction in progress amounted to SEK 45.7 (20.7) million.

Investments in the 3<sup>rd</sup> quarter, July – September 2009, amounted to SEK 3.4 (21.7) million. SEK 0.6 (0.9) million of these investments was attributable to exploration activities and SEK 0.1 (0.2) million to investigation work relating to future planned mining operations. Investments in land and buildings totalled SEK 0.0 (1.5) million, while investments in construction in progress amounted to SEK 2.7 (19.0) million.

### **Employees**

The average number of employees in the period January – September 2009 was 13 (13). Three (3) of the employees were women. The average number of employees in the 3<sup>rd</sup> quarter, July – September 2009, was 13 (15). Three (3) of the employees were women.

### **PARENT COMPANY**

Sales for the period January – September 2009 amounted to SEK 1.8 (1.5) million. The parent company's sales consist entirely of group-wide services. The Parent Company's profit/loss after net financial items in the period January – September 2009 amounted to SEK -6.3 (-3.2) million.

The parent company's sales in the 3<sup>rd</sup> quarter, April – September 2009, amounted to SEK 0.6 (1.5) million. Profit/loss after net financial items during the same period amounted to SEK -1.9 (1.5) million.

The parent company's investments in the period January – September 2009 amounted to SEK 2.4 (5.1) million and comprised exploration-related investments.

The parent company's investments for the 3<sup>rd</sup> quarter, July – September 2009, amounted to SEK 0.6 (0.9) million.

### Forthcoming financial information

- The year-end report for the period January – December 2009 will be published on 19 February 2010.

### Dannemora, 23 October 2009

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

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

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

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

*This document is a translation of the original interim report in Swedish. In case of divergence the Swedish version shall have precedence.*

*For further information, please contact:*

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

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

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

*The Company's Certified Advisor on First North is E. Öhman J:or Fondkommission AB.*

## Consolidated financial statements

### KEY FIGURES

	July-Sep 2009	July-Sep 2008	Jan-Sep 2009	Jan-Sep 2008	Full year 2008
Profit/loss after financial items, SEK 000	-5 863	-2 778	-17 296	-13 310	-22 698
Return on total assets, %	-2,7	-1,2	-7,7	-8,1	-13,8
Return on equity, %	-3,0	-1,3	-8,7	-8,9	-15,6
Equity, SEK 000	191 062	217 808	191 062	217 808	208 358
Equity/assets ratio, %	90,4	89,9	90,4	89,9	86,7
Gross investments in fixed assets	3 397	21 698	49 409	44 197	61 664
Earnings per share before full dilution, SEK	-0,76	-0,36	-2,23	-2,34	-3,66
Earnings per share after full dilution, SEK	-0,74	-0,35	-2,18	-2,28	3,56
Outstanding shares on balance sheet date before full dilution	7 760 000	7 760 000	7 760 000	7 760 000	7 760 000
Outstanding shares on balance sheet date after full dilution	7 949 000	8 009 000	7 949 000	8 009 000	8 009 000
Average no. of shares before full dilution	7 760 000	7 760 000	7 760 000	5 693 333	6 210 000
Average no. of shares after full dilution	7 949 000	7 995 839	7 949 000	5 833 333	6 377 250

### INCOME STATEMENTS

Amounts in SEK thousands	July-Sep 2009	July-Sep 2008	Jan-Sep 2009	Jan-Sep 2008	Full year 2008
Net sales	725	852	2 337	1 688	2 866
Other external costs	-4 219	-2 651	-12 699	-11 036	-18 652
Personnel expenses	-2 063	-2 722	-7 131	-6 683	-9 562
Depreciation, amortisation and impairment of assets	-152	-115	-422	-252	-1 914
<b>Operating profit/loss</b>	<b>-5 709</b>	<b>-4 636</b>	<b>-17 915</b>	<b>-16 283</b>	<b>-27 262</b>
Interest and similar income	35	1 860	651	2 980	4 583
Interest and similar expense	-15	-2	-32	-7	-19
<b>Profit/loss after financial items</b>	<b>-5 689</b>	<b>-2 778</b>	<b>-17 296</b>	<b>-13 310</b>	<b>-22 698</b>
<b>Profit/loss for the period</b>	<b>-5 689</b>	<b>-2 778</b>	<b>-17 296</b>	<b>-13 310</b>	<b>-22 698</b>
Earnings per share before full dilution, SEK	-0,76	-0,36	-2,23	-2,34	-3,66
Earnings per share after full dilution, SEK	-0,74	-0,35	-2,18	-2,28	-3,56

**BALANCE SHEETS**

Amounts in SEK thousands	2009-09-30	2008-09-30	2008-12-31
<b>ASSETS</b>			
Exploration and evaluation assets	33 512	30 387	30 602
Land and buildings	15 818	15 327	15 266
Equipment, tools and fixtures & fittings	425	490	625
Construction in progress	85 953	20 715	40 238
Cash deposits	120	115	119
Trade receivables	51	64	153
Other current receivables	1 723	3 914	4 478
Prepayments and accrued income	951	3 445	284
Cash and bank balances	72 859	167 851	148 614
<b>TOTAL ASSETS</b>	<b>211 412</b>	<b>242 308</b>	<b>240 379</b>

**EQUITY AND LIABILITIES**

Equity	191 062	217 808	208 358
Non-current liabilities	13 000	13 000	13 000
Trade payables	2 994	8 152	12 440
Other current liabilities	609	662	704
Accruals and deferred income	3 747	2 686	5 877
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>211 412</b>	<b>242 308</b>	<b>240 379</b>

**CHANGE IN EQUITY**

Amounts in SEK thousands	Jan-Sep 2009	Jan-Sep 2008	Full year 2008
<b>Restricted equity</b>			
Opening balance at start of period	2 320	1 824	1 824
New share issue	-	496	496
<b>Closing balance at end of period</b>	<b>2 320</b>	<b>2 320</b>	<b>2 320</b>
<b>Unrestricted equity</b>			
Opening balance at start of period	206 038	80 844	80 844
Bonus issue	-	-	-
New share issue	-	154 504	154 504
Issue expenses	-	-6 975	-7 037
Issue of warrants	-	425	425
Profit/loss for the period	-17 296	-13 310	-22 698
<b>Closing balance at end of period</b>	<b>188 742</b>	<b>215 488</b>	<b>206 038</b>
<b>Total equity at end of period</b>	<b>191 062</b>	<b>217 808</b>	<b>208 358</b>



**CASH FLOW STATEMENTS**

Amounts in SEK thousands	July-Sep 2009	July-Sep 2008	Jan-Sep 2009	Jan-Sep 2008	Full year 2008
Cash flow from operating activities	-616	125	-17 175	-18 920	-20 497
Cash flow from investing activities	-11 169	-17 185	-58 580	-25 385	-42 983
Cash flow from financing activities	-	148 234	-	148 450	148 388
<b>Cash flow for the period</b>	<b>-11 785</b>	<b>131 174</b>	<b>-75 755</b>	<b>104 145</b>	<b>84 908</b>
Cash & cash equivalents at beginning of period	84 644	36 677	148 614	63 706	63 706
<b>Cash &amp; cash equivalents at end of period</b>	<b>72 859</b>	<b>167 851</b>	<b>72 859</b>	<b>167 851</b>	<b>148 614</b>