

## Interim Report

## January – September 2008

- London-based Endeavour Financial Ltd has been engaged as advisor for the loan part of the Dannemora mine financing. Completion of the financing is planned for Q1 2009.
- Rock work in the Dannemora mine starts in December of this year with ramp placement, followed by pre-production development work. Bergteamet AB has been engaged as contractor for the rock work.
- The ramp placement will generate iron ore by the start of Q1 2009. The ore will be used for trial deliveries to potential customers and sold as coarse ballast.
- According to the company's investment plan, the ore processing plant will be operational in Q1 2010. Production in the mine and plant will then gradually work up to full capacity by the turn of year 2011/2012.
- The Dannemora ore's sintering properties have been tested at SGA in Germany over the summer. The tests show that the Dannemora ore sinters well with ore from other iron ore producers.
- In Q3 2008, Dannemora Mineral was granted three new exploration permits for iron mineralisations: Riddarhyttan no. 1 and Persberg nos. 1 and 2. The permits are aimed at securing further iron reserves as part of the company's strategy to become an important niche supplier of iron ore.
- Profit/loss after net financial items in the period January – September 2008 amounted to SEK -13.3 (-4.9) million.
- Cash flow from operations in the period January – September 2008 was SEK -18.9 (-5.7) million.
- Investments in the period January – September 2008 amounted to SEK 44.2 (15.7) million.
- Cash & cash equivalents at 30 September 2008 were SEK 167.9 (68.0) million.

## **DANNEMORA MAGNETIT AB**

### **Market conditions**

The global economy has weakened, with the entire western world experiencing a slowdown in growth. The situation has been exacerbated by the present crisis in the financial system. The USA, G7 and the EU have made concerted efforts to create confidence in the banks and restore stability to the financial markets.

New forecasts for world steel consumption have not been issued. However, the World Steel Association has said it believes world steel production will continue to rise in the short and medium term, with growth in demand above the average world GDP growth rate.

Total world steel production rose by 5.6% to 926.3 million tonnes in the first 8 months of 2008. Steel production in China rose by 9.3% in the same period. The variable annual average fell to 5.5%. ( 5,8 % ).

### **Sintering tests**

Chemical, physical and metallurgical tests on Dannemora's iron ore products, fines and lump ore were performed in spring at the famous SGA (Studien-Gesellschaft für Eisenerz-Aufbereitung) research centre in Liebenburg-Othfresen in Germany. Following these initial metallurgical tests, extensive sintering testing was carried out in summer, which included an evaluation of how Dannemora's ore sinters with ore from other iron ore producers.

The results of these test programmes are now in and show that products from Dannemora are suitable for the blast furnace processes of future steelworks customers.

On the basis of the sintering test results, Dannemora Magnetit entered into detailed technical discussions with a number of potential customers in Northern Europe.

### **Financing and schedule**

Dannemora Mineral has now entered the final phase of its programme to ensure the remaining financing of the Dannemora iron ore project. The remaining capital requirement to cover plant & equipment investments and working capital amounts to approx. SEK 850-900 million. Following consultation with potential lenders and advisors, Dannemora Mineral has decided that the proportion of external capital should be approx. SEK 600-650 million, with the remaining SEK 200-250 million made up of additional equity.

Dannemora Mineral has engaged Endeavour Financial Ltd as financial advisor for its planned borrowing of approx. SEK 650 million. Endeavour Financial Ltd, based in London, has 20 years of specialist experience in natural resources mining projects (iron ore, base metal, precious metal and industrial mineral) all over the world.

To satisfy lenders' need for an unbiased insight into the mining project, the customary technical, legal, environmental and financial due diligence processes are being carried out in autumn 2008. The combination of persisting financial turmoil and long lead times in contracting well-reputed technical consultants for due diligence assignments has delayed the financing work. However, both Dannemora Mineral's financial advisor and potential lenders believe loan financing will be available during the first quarter of 2009.

It is planned to raise the additional equity of approx. SEK 200-250 million by issuing shares or other financial instruments. Loan financing and acquisition of equity are expected to be completed concurrently.

The current time-critical mine pumping and underground ramp placement projects are progressing according to plan, regardless of the ongoing financing activity. Contracts for the ore processing plant are partly dependent on full financing being in place and have been delayed a few months. The operational start for the ore processing plant is therefore planned for Q1 2010. The delay of up to one financial quarter has no significant impact on production and project economy, and will not affect the time scale for full production of 1.5 million tonnes/year of iron ore products.

### **Rock work**

In the third quarter, Bergteamet AB was engaged for ramp placement and initial development work in the Dannemora mine.

Mobilisation work has already begun, with ramp placement due to start in December this year. The work will be completed in early 2010.

The new ramp will connect the existing ramp at the Ströms ore with the mine's main level. The ramp, which will connect levels 162 m and 350 m, will be approx. 1,600 metres long. The new ramp will open up the whole mine to transportation, while the facility to bring the ore up from the mine by truck via the ramp will ensure an early production start. The dimensions of the new ramp will be 7 by 5 metres.

The agreement also includes approx. 700 metres of tunnelling for development prior to the start of production. The development work will be carried out in the Ströms ore, which is one of the ores that will be mined in the early production years.

The new ramp and development headings will generate approx. 50 thousand tonnes of iron ore. Dannemora Magnetit is currently investigating the feasibility of selling iron ore and other materials from the rock work. These sales could provide the company with early revenues and cash flows.

Bergteamet AB is one of Sweden's leading tunnelling and shaft contractors.

## **DANNEMORA PROSPEKTERING AB**

Activities in the subsidiary Dannemora Prospektering AB in the third quarter of 2008 were mainly concentrated on the iron ore in and around the Dannemora field, and the zinc/iron mineralisations located earlier in the year in the southern part of the Dannemora field. In addition, some smaller-scale work was carried out in connection with a large number of previously mined deposits, with mineralisations of iron, manganese and nickel/copper/platinum in the Bergslagen region.

At the end of Q3 2008, the parent company Dannemora Mineral AB had one exploitation concession (Dannemora field) and 27 exploration permits with a total area of 25,109 hectares. The Company also applied for four more exploration permits in the second quarter.

### **Iron ore in the Dannemora field**

The proven and probable ore reserves in the Dannemora mine have been estimated at just over 28 Mt (35.2% iron and 1.8% manganese). At an estimated annual production of 1.5 Mt of lump ore and fines (approx. 2.45 Mt of mined ore), these ore reserves will allow over 12 years of continuous mining.

The iron ore exploration programme launched during spring continued throughout the third quarter. The aim of the programme is to increase the reserves, and in doing so extend the life of the mine or raise annual production.

It is planned to carry out both exploration drilling and detailed drilling for mining planning from the mine. While waiting for drifts to become available for personnel and drilling machinery, initial activity has been focused on iron ore mineralisations close to the surface. The results of the geophysical surveys conducted in the northern part of the field have been used to produce models of the mineralisations close to the surface. The results will be used to plan ongoing prospecting.

Detailed testing of the ore bodies in the northern part of the field has been started. The aim is to obtain better support material for mining planning and product optimisation in this area, which is where ore production will be concentrated in the early years of operation.

There has been an increase in sampling of drill cores from previous operations. In total, approx. 750 samples have been taken from these cores. Under the programme, approx. 100 more cores are due for sampling and analysis. The purpose of the sampling is to obtain better knowledge of the composition and separation properties of the ores, thereby optimising production and product qualities.

### **Base metal mineralisations in the Dannemora field**

A number of small sulphide mineralisations are known in the Dannemora field. Some of these have high zinc grades and have been mined during different periods. As a result of Dannemora Prospektering AB's exploration activities in the field another interesting zinc mineralisation has been identified.

The positive results of the drilling programme carried out in spring 2008 prompted the decision to conduct a further drilling campaign. This was initiated in the third quarter. One of these holes is now completed and drilling of the next hole is in progress. The analysis results from the sampled core sections are expected to be available in November.

### **New exploration permits**

In Q3 2008, Dannemora Mineral AB was granted three new exploration permits for iron mineralisations (Riddarhyttan no. 1 and Persberg nos. 1 and 2).

The **Riddarhyttan no. 1** exploration permit is in Skinnskatteberg municipality in the county of Västmanland. The exploration permit includes the Riddarhyttan field's most important iron deposit, Bäckegruvan, which was in production until 1978. An examination of tonnage and grades reported when mining ceased is being conducted (historical tonnage and grades) and is expected to be completed in the fourth quarter. Ground magnetic surveys are also being conducted in the area around Bäckegruvan.

The **Persberg nos. 1 and 2** exploration permits are in Filipstad municipality in the county of Västmanland. The exploration permits include Persberg's Odalfält, which was one of the most important iron ore fields in Värmland until production ceased in 1979. Here too, an examination of tonnage and grades reported when mining ceased is being conducted (historical tonnage and grades), and this is expected to be completed in the fourth quarter.

## **DANNEMORA FÖRVALTNINGS AB**

Dannemora Förvaltnings AB has entered into an agreement with Lars Eklöf Fastighetsförvaltning Enskild Firma for the technical and financial management of the Dannemora Group's property portfolio with effect from 1 October 2008.

## **FUTURE PROSPECTS**

The financial crisis has delayed the company's financing work. However, both Dannemora Mineral's financial advisor and potential lenders believe loan financing will be available during the first quarter of 2009.

The combination of financial turmoil and weaker growth in demand for steel products is giving rise to increasing uncertainty about the future price of iron ore.

Many sector analysts are predicting a certain decline in prices over the next two or three years as a result of the financial crisis and weak growth in demand. This should then give way to stronger global economic growth, with increasing iron ore prices. The sector analysts' price forecasts for iron ore are, however, higher than the iron ore price Dannemora Mineral has used in its feasibility study.

## **RESULTS AND FINANCIAL POSITION**

### **THE GROUP**

#### **Turnover and financial performance**

As the Group is still in the initial investment phase, it has not, as was the case last year, recorded any operating revenue from mining and exploration activities. The reported turnover is made up entirely of rental income.

Turnover in the period January – September 2008 amounted to SEK 1.7 (0.0) million. Profit/loss after net financial items during the same period amounted to SEK -13.3 (-4.9) million.

Turnover in the 3<sup>rd</sup> quarter, July – September 2008, amounted to SEK 0.9 (0.0) million. Profit/loss after net financial items during the same period amounted to SEK -2.8 (-1.9) million.

#### **Liquidity and cash flow**

Cash flow from operations in the period January – September 2008 was SEK -18.9 (-5.7) million. After investing activities of SEK -25.4 (-15.9) million and financing activities of SEK 148.4 (79.7) million, cash flow for the period was SEK 104.1 (58.2) million. The Group's cash & cash equivalents at the end of the period were SEK 167.9 (68.0) million.

Cash flow from operations in the 3<sup>rd</sup> quarter, July – September 2008, amounted to SEK 0.1 (-2.2) million. After investing activities of SEK -17.2 (-5.9) million and financing activities of SEK 148.2 (-5.2) million, cash flow for the period was SEK 131.2 (-13.3) million.

The Group had no interest-bearing liabilities at 30 September 2008.

### **Investments**

Investments in the period January – September 2008 amounted to SEK 44.2 (15.7) million. Of these investments, SEK 5.1 (5.4) million was attributable to exploration activities and SEK 2.6 (10.1) million to investigations relating to future planned mining operations. Investments in land and buildings totalled SEK 15.5 (0.0) million, while investments in construction in progress amounted to SEK 20.7 (0.0) million.

Investments in land and buildings relate to the area of land and buildings purchased from Östhammar Municipality. Of the total investment of SEK 15.5 million, 13.0 million refers to an adjusted purchase consideration to be paid in 2012.

Investments in the 3<sup>rd</sup> quarter, July– September 2008, amounted to SEK 21.7 (4.8) million. SEK 0.9 (1.9) million of these investments was attributable to prospecting activities and SEK 0.2 (4.0) to investigation work relating to future planned mining operations. Investments in land and buildings totalled SEK 1.5 (0.0) million, while investments in construction in progress amounted to SEK 19.0 (0.0) million.

### **Employees**

The average number of employees in the period January – September 2008 was 13 (8). Three (3) of the employees were women. The average number of employees in the 3<sup>rd</sup> quarter, July – September 2008, was 15 (12). Three (4) of the employees were women.

### **PARENT COMPANY**

The parent company's profit/loss after net financial items in the period January – September 2008 amounted to SEK -3.2 (-4.9) million. Profit/loss after net financial items in the 3<sup>rd</sup> quarter, July – September 2008, amounted to SEK -0.6 (-1.9) million.

The parent company's investments in the period January – September 2008 amounted to SEK 1.0 (15.7) million. SEK 5.1 (5.4) million of this figure was attributable to exploration activities. Investments in the 3<sup>rd</sup> quarter, July– September 2008, amounted to SEK 1.0 (4.8) million. SEK 0.9 (1.9) million of this figure was attributable to exploration activities.

**Accounting policies**

The financial statements have 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.

**Forthcoming financial information**

- The Year-end report for the period January – December 2008 will be published on 20 February 2009.

**Dannemora, 22 October 2008**

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

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

*The geological data in the exploration section of this report has been approved by Lars-Göran Ohlsson and Lennart Falk (Dannemora Mineral AB) who are registered by SveMin (Swedish Association of Mines, Mineral and Metal Producers) as Qualified Persons (QPs). Lennart Falk is one of the major 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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## Consolidated financial statements

### KEY FIGURES

	July-Sep 2008	July-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	Full year 2007
Profit/loss after financial items, SEK 000	-2 778	-1 875	-13 310	-4 860	-10 174
Return on total assets, %	-1,2	-2,0	-8,1	-9,0	-19,6
Return on equity, %	-1,3	-2,1	-8,9	-9,6	-21,2
Equity, SEK thousands	217 808	87 882	217 808	87 882	82 668
Equity/assets ratio, %	89,9	95,9	89,9	95,9	94,1
Earnings per share before full dilution, SEK	-0,36	-0,40	-2,34	-1,58	-2,93
Earnings per share after full dilution, SEK	-0,35	-0,40	-2,28	-1,55	2,88
Outstanding shares on balance sheet date before full dilution	7 760 000	4 660 000	7 760 000	4 660 000	4 660 000
Outstanding shares on balance sheet date after full dilution	8 009 000	4 720 000	8 009 000	4 720 000	4 720 000
Average no. of shares before full dilution	7 760 000	4 660 000	5 693 333	3 073 796	3 470 000
Average no. of shares after full dilution	7 995 839	4 720 000	5 833 333	3 135 484	3 530 347

### INCOME STATEMENT

Amounts in SEK thousands	July-Sep 2008	July-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	Full year 2007
Net sales	852	-	1 688	-	-
Other external costs	-2 651	-2 082	-11 036	-4 970	-8 044
Personnel expenses	-2 722	-413	-6 683	-871	-3 421
Depreciation/amortisation of assets	-115	-15	-252	-37	-370
<b>Operating profit/loss</b>	<b>-4 636</b>	<b>-2 510</b>	<b>-16 283</b>	<b>-5 878</b>	<b>-11 835</b>
Interest and similar income	1 860	636	2 980	1 019	1 662
Interest and similar expense	-2	-1	-7	-1	-1
<b>Profit/loss after financial items</b>	<b>-2 778</b>	<b>-1 875</b>	<b>-13 310</b>	<b>-4 860</b>	<b>-10 174</b>
<b>Profit/loss for the period</b>	<b>-2 778</b>	<b>-1 875</b>	<b>-13 310</b>	<b>-4 860</b>	<b>-10 174</b>
Earnings per share before full dilution, SEK	-0,36	-0,40	-2,34	-1,58	-2,93
Earnings per share after full dilution, SEK	-0,35	-0,40	-2,28	-1,55	-2,88

**BALANCE SHEET**

Amounts in SEK thousands	30-09-2008	30-09-2007	31-12-2007
<b>ASSETS</b>			
Exploration and evaluation assets	30 387	21 132	22 722
Other intangible assets	-	56	-
Land and buildings	15 327	-	-
Equipment, tools and fixtures & fittings	490	261	257
Construction in progress	20 715	-	-
Deposits	115	117	115
Trade receivables	64	-	-
Other current receivables	3 914	979	750
Prepayments and accrued income	3 445	1 077	263
Cash and bank balances	167 851	68 029	63 706
<b>TOTAL ASSETS</b>	<b>242 308</b>	<b>91 651</b>	<b>87 813</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	217 808	87 882	82 668
Non-current liabilities	13 000	-	-
Trade payables	8 152	2 396	3 125
Other current liabilities	662	127	394
Accruals and deferred income	2 686	1 246	1 626
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>242 308</b>	<b>91 651</b>	<b>87 813</b>

**CHANGE IN EQUITY**

Amounts in SEK thousands	Jan-Sep 2008	Jan-Sep 2007	Full year 2007
<b>Restricted equity</b>			
Opening balance at start of period	1 824	1 241	1 241
Bonus issue	-	359	359
New share issue	496	224	224
<b>Closing balance at end of period</b>	<b>2 320</b>	<b>1 824</b>	<b>1 824</b>
<b>Unrestricted equity</b>			
Opening balance at start of period	80 844	11 862	11 862
Bonus issue	-	-359	-359
New share issue	154 504	85 176	85 176
Issue expenses	-6 975	-5 808	-5 708
Issue of warrants	425	47	47
Profit/loss for the period	-13 310	-4 860	-10 174
<b>Closing balance at end of period</b>	<b>215 488</b>	<b>86 058</b>	<b>80 844</b>
<b>Total equity at end of period</b>	<b>217 488</b>	<b>87 882</b>	<b>80 844</b>



**CASH FLOW STATEMENTS**

Amounts in SEK thousands	July-Sep 2008	July-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	Full year 2007
Cash flow from operating activities	125	-2 171	-18 920	-5 672	-7 805
Cash flow from investing activities	-17 185	-5 881	-25 385	-15 904	-18 094
Cash flow from financing activities	148 234	-5 244	148 450	79 740	79 740
<b>Cash flow for the period</b>	<b>131 174</b>	<b>-13 296</b>	<b>104 145</b>	<b>58 164</b>	<b>53 841</b>
Cash & cash equivalents at beginning of period	36 677	81 325	63 706	9 865	9 865
<b>Cash &amp; cash equivalents at end of period</b>	<b>167 851</b>	<b>68 029</b>	<b>167 851</b>	<b>68 029</b>	<b>63 706</b>

*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, responsible for operation of the Dannemora mine, Dannemora Prospektering AB, responsible for all exploration in the Group, and Dannemora Förvaltnings AB, responsible for the Group's property portfolio.*

*The Company's most important asset is the iron deposit in the Dannemora Mine, and initial activity will be focused primarily on the planned mining of this deposit.*

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