
Press Release 13 January 2009

DECLARATION OF INTENT SIGNED WITH THE SWEDISH RAIL ADMINISTRATION ON RENOVATION OF THE RAILWAY LINE BETWEEN THE DANNEMORA MINE AND HARGSHAMN

The Swedish Rail Administration, Dannemora Magnetit AB, Hargs Hamn AB, Holmen Paper AB, Östhammar municipality, Norrtälje municipality and the Regional Council of the county of Uppsala have this day signed a declaration of intent on the renovation of the railway line on the Örbyhus – Dannemora – Hargshamn – Hallstavik section.

Annual iron ore deliveries from the Dannemora mine are expected to amount to approx. 1.5 million tonnes. The declaration of intent ensures renovation of the railway line, which will be required in order for the ore to be transported by rail – a form of transport which brings cost-efficiency and offers environmental advantages.

The section from the main line at Örbyhus via Dannemora to Hargshamn will allow goods traffic at speeds of up to 70 kph and an axle load of up to 22.5 tonnes. The traffic control system will also be upgraded to the latest standards to allow efficient management of the increase in traffic.

The renovation of the Hargshamn line and the branch line to the Dannemora mine is scheduled for completion by the middle of 2010, while the new traffic control system is expected to be operational by the end of 2012.

The Swedish Rail Administration has undertaken to implement and finance the renovation of the Örbyhus – Dannemora – Hargshamn – Hallstavik section and the upgrading of the traffic control system. The Swedish Rail Administration has estimated the costs of this work at SEK 100 million. Dannemora Magnetit has undertaken to implement and finance the upgrading of the branch line from the Dannemora mine to the main line. The Swedish Rail Administration has estimated the costs of this work at SEK 10 million. Dannemora Magnetit will also take over ownership of the branch line from the Swedish Rail Administration. The municipalities of Östhammar and Norrtälje have undertaken to provide noise and vibration protection and to strengthen level crossings where required. The Swedish Rail Administration has estimated the costs of this work at SEK 5 million.

A feasibility study on the Dannemora iron ore project (see press release dated 28 January 2008) investigated transportation of the ore by lorry from Dannemora to Hargshamn. Although the rail option represents a somewhat higher cost of investment for Dannemora Magnetit, the variable transport costs are expected to fall considerably. Overall, the rail option is seen as offering much better profitability than the previously considered lorry alternative.

In addition to lower transport costs, the rail option will also bring environmental advantages in the form of reduced emissions of greenhouse gases and other environmentally harmful substances and less noise pollution. The rail option will also result in a substantial reduction in the traffic load on the local road network.

Renovation of the railway line requires a government decision on financing and form of financing, and is also conditional on an implementation agreement relating to the project being signed no later than June 2009.

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, responsible for operation of the Dannemora mine, Dannemora Prospektering AB, responsible for all exploration, 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 mainly on the planned mining of this deposit.

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