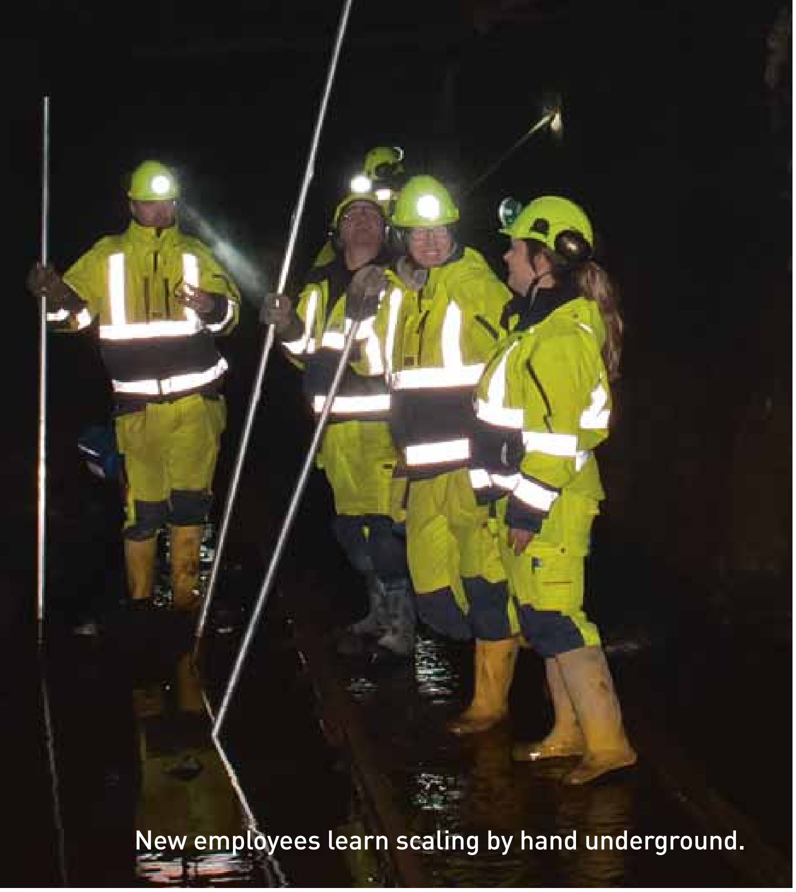
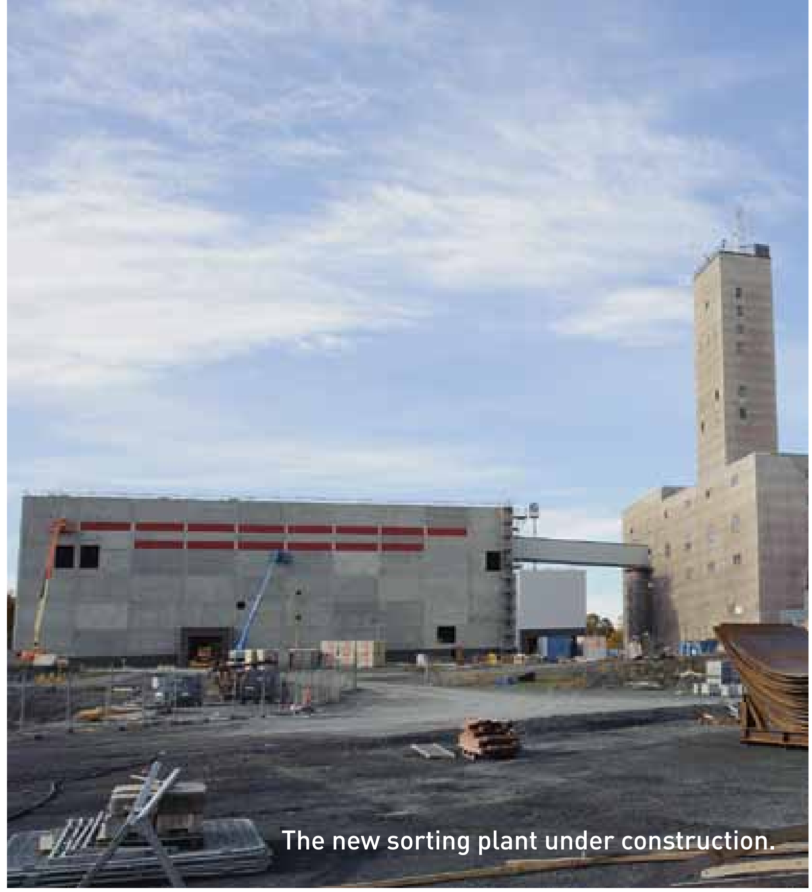
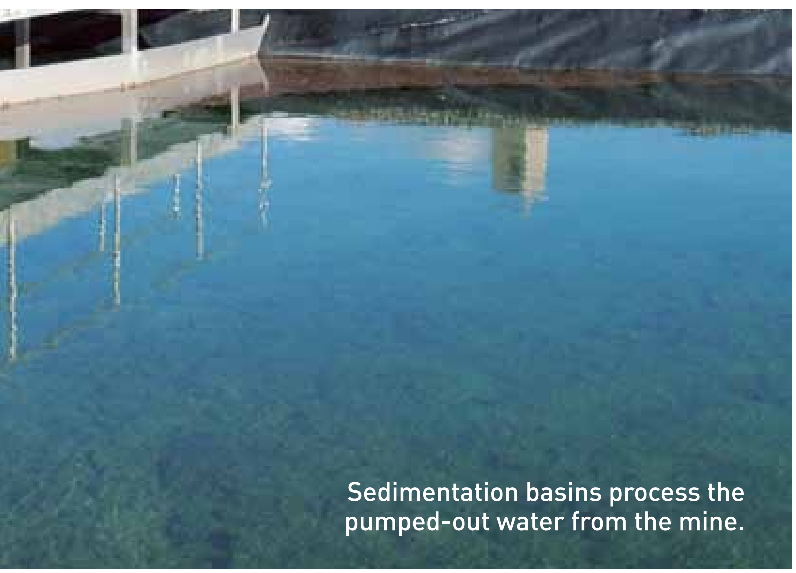
DANNEMORA MINERAL 2011 ANNUAL REPORT

ANNUAL REPORT 2011

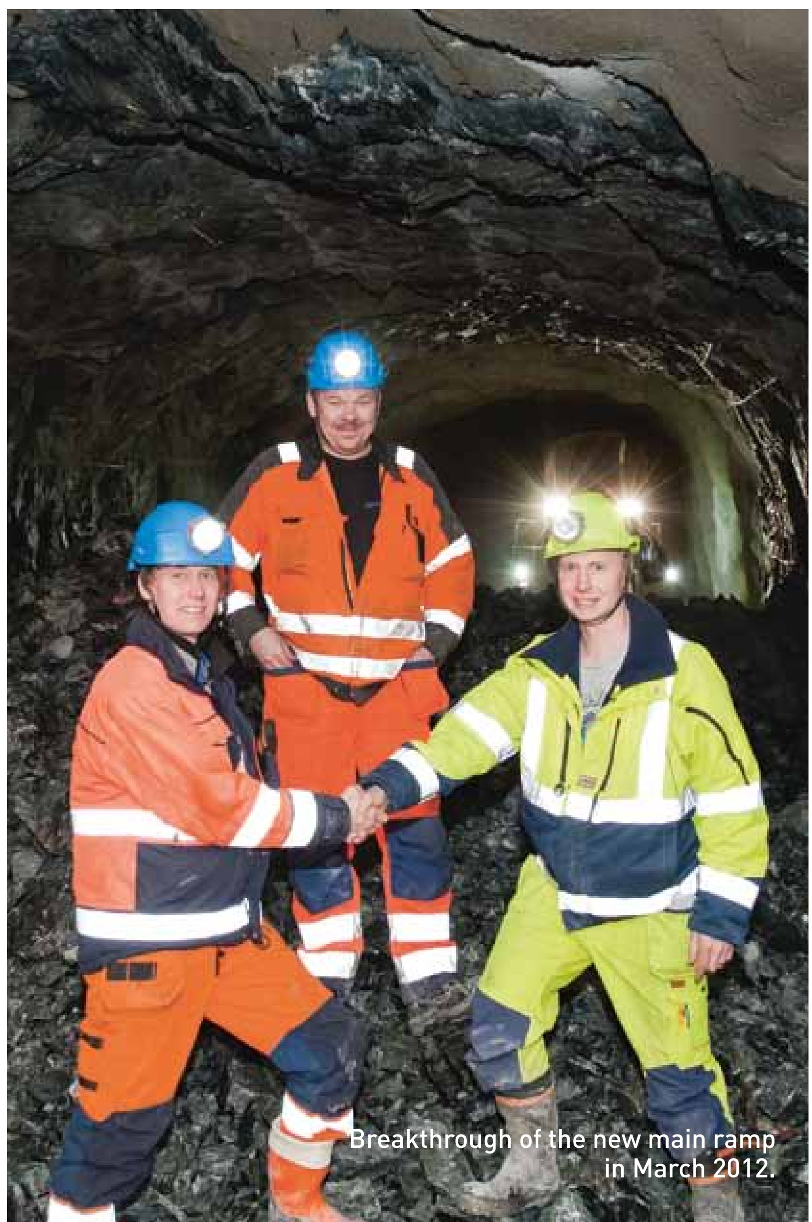
DANNEMORA
MINERAL AB

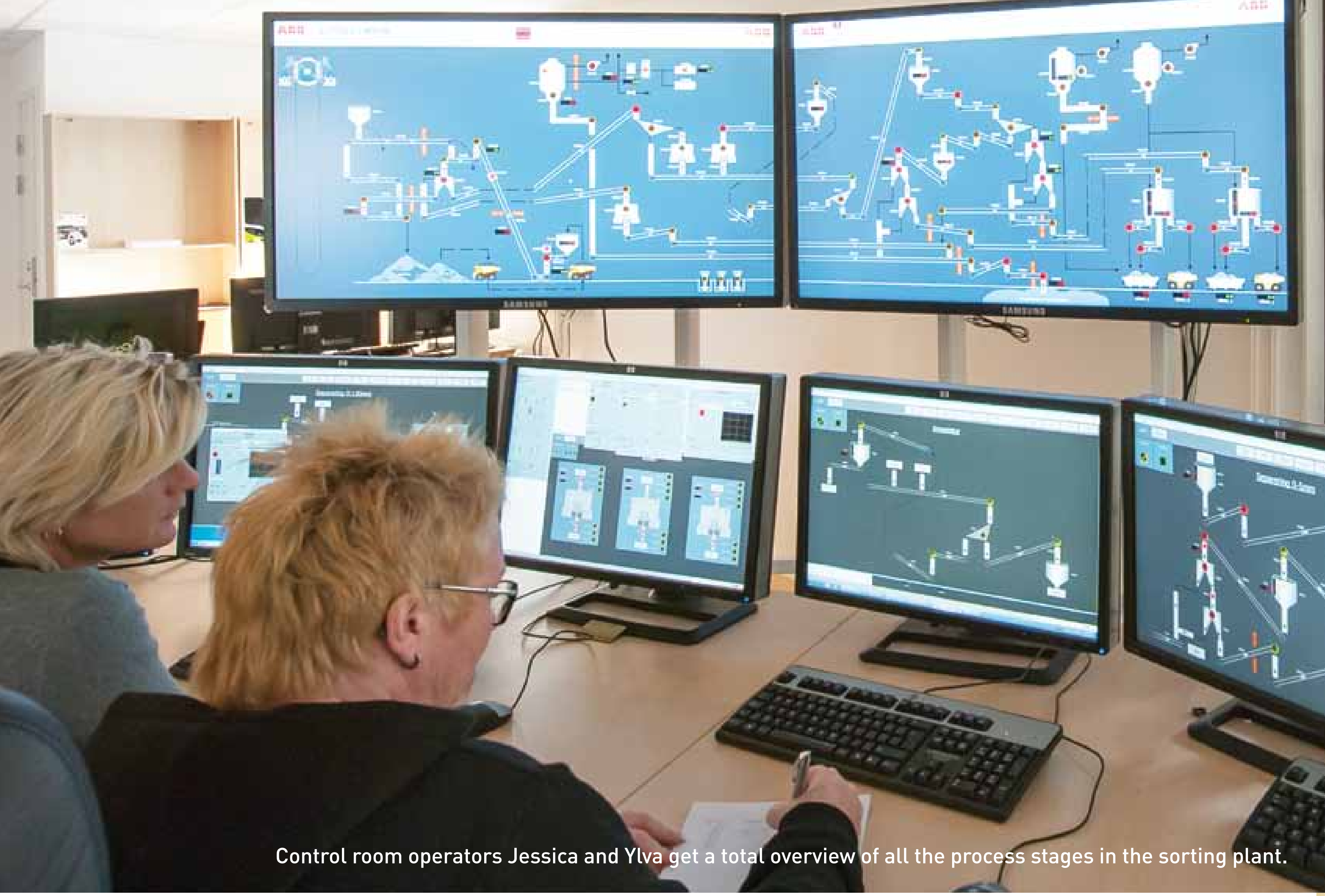

New employees learn scaling by hand underground.


The new sorting plant under construction.


Sedimentation basins process the pumped-out water from the mine.


Railway wagons awaiting the first load of iron ore.


Breakthrough of the new main ramp in March 2012.



Control room operators Jessica and Ylva get a total overview of all the process stages in the sorting plant.

Silos for lump ore and fines were in place at the end of the year.

ANNUAL REPORT

2011

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2012 ANNUAL GENERAL MEETING

The Annual General Meeting of Dannemora Mineral will be held at 4 p.m. on 8 May 2012 at Stora Salen, Jernkontoret, Kungsträdgårdsgatan 10, Stockholm.

2012 INTERIM REPORTS

Interim report January – March 2012: published Thursday 26 April.

Interim report January – June 2012: published Thursday 23 August.

Interim report January – September 2012: published Friday 26 October.

Highlights of the year

Bond issue secured financing

A five-year bond issue of USD 120 million was launched in March. The proceeds allowed time-critical investment work to be started and implemented.

Private placement raised SEK 150 million

At the same time as the bond issue, Dannemora Mineral completed a private placement which brought proceeds of SEK 150 million before issue expenses.

Operational management recruited

The Dannemora operation management group was recruited during the year. Besides Managing Director Kjell Klippmark, the group now comprises mine planning manager, development manager, mining manager, sorting plant manager, service manager, QEHS manager, production controller and deputy Managing Director.

First shift in place

The recruitment of employees for the first shift was completed in December. All new employees undergo training until the operational start-up.

Long-term supply contracts

A five-year supply contract was signed with ThyssenKrupp Steel Europe AG and Salzgitter Flachstahl GmbH for the annual supply of up to 600,000 tonnes of iron ore, with deliveries scheduled for 2012.

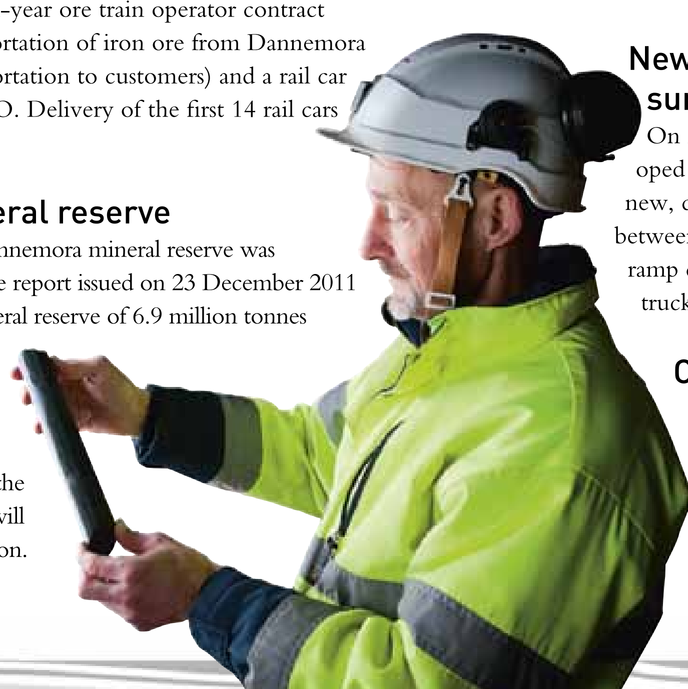
A five-year contract was also entered into with Stemcor UK Ltd for the annual supply of up to 600,000 tonnes of iron ore. Deliveries start in 2013.

Rail transportation arranged

The Company signed a seven-year ore train operator contract with Green Cargo for transportation of iron ore from Dannemora to Hargshamn (for sea transportation to customers) and a rail car leasing contract with NACCO. Delivery of the first 14 rail cars began in week 5, 2012.

Increase in the mineral reserve

An updated estimate of the Dannemora mineral reserve was conducted during autumn. The report issued on 23 December 2011 showed an increase in the mineral reserve of 6.9 million tonnes to 35.1 million. The new estimate includes the recently drilled mineralisation Norrnäs 3 and a change in the cut-off grade to 20 percent iron from the previous 30 percent. The ore will last for 15 years at full production.



Events after the end of the financial year:

Logistics to the customer in place

Dannemora Mineral signed a ten-year contract with Hargs Hamn AB during the year for the unloading of ore trains, storage and loading onto ships. The port is committed to investing in the necessary adaptation and upgrading of the port. Consequently, the entire logistics chain from mine to ship loading is in place.

Start of production at the Dannemora mine

Dannemora Mineral AB notified the Mining Inspectorate of the start of mining operations from 13 January 2012, the date when commercial operation began.

Sorting plant service contract with ABB

The Company has signed a full service contract with ABB, which will have full responsibility for maintenance of the sorting plant. Eleven ABB employees will be based at the newly established service unit in Dannemora.

Private placement raised SEK 100 million

In March 2012, the Company implemented a private placement to meet the increased investment volume. The share issue raised SEK 103.5 million and has secured the Company's capital requirement for financing the Dannemora iron ore mine in the period until a positive cash flow is achieved.

New ramp connection to the surface opened

On 20 March, the two ramps that were developed from opposite directions met, forming a new, continuous 1,800 metre-long connection between the surface and the 230-metre level. The ramp connection will be used to transport ore by truck until the ore skip is operational.

Commissioning of the sorting plant

The sorting plant was opened for commercial operation in Dannemora on 2 April.

Business concept, vision, goals and strategy

Business concept

Dannemora Mineral's business concept is:

- **to resume operations at the Dannemora iron ore mine, and to operate the mine profitably in a long-term perspective**
- **to identify other iron mineralisations and develop them into workable ore deposits which create good synergies with the Dannemora operations**
- **to explore for base and precious metal mineralisations in and around Dannemora and develop these into workable deposits.**

Vision

Dannemora Mineral's vision is to maximise shareholder value by becoming an established and valued niche supplier of iron ore to a a number of European steel companies within five years of production start-up.

Goals

Dannemora Mineral's goals are to resume operations in the Dannemora iron ore mine, establish long-term supply contracts with two to five steel companies for the majority of its production and gradually increase the mineral reserves in the Dannemora field by continuous exploration. With the production start-up on 2 April 2012, the goal to resume operations was achieved. It is also the Company's goal to gradually develop measured or new deposits of iron ore in other parts of Sweden.

The Board has defined the following financial goals for the business:

- to achieve a positive operating profit within two years of starting operations
- to achieve profitability at least in line with the industry average within three years of starting operations

The operational goals can be summarised as follows:

- to achieve full production at the Dannemora iron ore mine within 12 months of the production start-up
- to substantially increase mineral reserves by means of exploration in the mine and its vicinity
- to locate and develop known or new iron ore deposits in other parts of Sweden

Strategy

The key elements of Dannemora Mineral's strategy for achieving its defined goals are as follows:

Organisation

The Company has established a well adapted and effective organisation which will be developed in line with growth of the company's operations.

Personnel

Experienced and highly qualified personnel are vital to the Company's success. With this in mind, the Board and management work actively to ensure the Company stands out as an attractive and stimulating workplace. In order to ensure future provision of personnel, the Company is engaged in regular dialogue with representatives of the municipal council and other parties.

Market

Dannemora will establish a stable, long-term market for iron ore products by focusing on customers and creating added value by providing geographical and transport-related advantages. The market development will be aimed at early establishment of long-term relationships and multi-year supply contracts with a large number of European steel companies. Customers with steel production which is particularly suited to Dannemora's localisation and product properties are prioritised in terms of time and resources.

Exploration for new and known deposits of iron ore mineralisations is focused on geographical and transport-related advantages and on finding ore with similar product properties to the Dannemora ore, as this brings considerable market synergies from a customer perspective. New or known mineralisations of base or precious metals may either be processed into workable deposits or sold, if this is considered profitable.

Structure

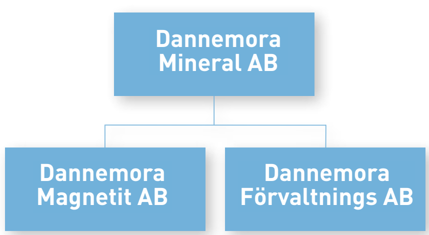
Dannemora will be established as a central platform for future mining activity in eastern Bergslagen. The initially broad exploration permits will gradually be concentrated on a smaller number of interesting prospects. It is expected that the Dannemora site will eventually represent the centre of the mining industry in eastern Bergslagen, not only from a technical and production perspective but also in terms of knowledge and administration.

Permits

Official permits and other legal regulations are critical components of the Company's activities. The Company will endeavour to minimise time and cost risks with regard to permits and trials, and its operations will be characterised by open and constructive cooperation with the relevant authorities.

Environment

The exploration and mining industry is regulated by extensive and mission-critical environmental legislation. The Company has therefore organised its business in such a way as to enable it to closely monitor developments in environmental legislation and take any action required in order to comply with current legislation.



Group structure

The Dannemora Group comprises the Parent Company Dannemora Mineral AB and its wholly-owned subsidiaries Dannemora Magnetit AB, which is responsible for operations in Dannemora and the Group's exploration activities, and Dannemora Förvaltnings AB, which is responsible for the property portfolio.

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

The Bergslagen vision

Dannemora Mineral's vision is to make Dannemora the centre of a more extensive mining industry in Bergslagen, with the stated objective of developing several mining projects, mainly locally, but also elsewhere in Sweden. Top priority is given to production in the Dannemora mine. The next step is to develop other deposits and next on the agenda is Riddarhyttan.

The Company's Board runs a development programme with the working title DMAB 5.0, called the Bergslagen vision, which is aimed at planning for the Company's future development and creating a sustainable mining company, able to conduct profitable operations for many years to come. DMAB 5.0 illustrates the vision of ultimately reaching an annual production of 5 million tonnes of iron ore products.

"We have good prospects for developing the Company into a sustainable and profitable mining company delivering significant value to shareholders."

Nils Sandstedt, Deputy Chairman of the Board of Dannemora Mineral AB

Start of a new era for Dannemora Mineral

Production at the Dannemora iron ore mine commenced on 2 April, with the start of operations of the newly built sorting plant. This was made possible by measures which included a ground-breaking financing solution in the form of a five-year bond issue of USD 120 million completed in March 2011. We had been able to use the financing window that opened in autumn 2010 and lasted until spring 2011. Financing opportunities then dried up as we entered a situation of financial turmoil in Europe and crisis in Greece.

The solution was ground-breaking in that Dannemora launched the first ever bond issue for a newly established mining company in the Nordic region. The international banking crisis and the global financial turbulence that followed resulted in the postponement of many new mining projects.

With the funding arranged, we were able to start production and continue our extensive investment projects during 2011.

The entire logistics chain to the customer is now also in place. Transportation has been resolved in a beneficial and environmentally friendly way – by rail to Hargshamn and from there by sea to the customer. We have completed the internal logistics of the industrial area, which now has industrial roads, connecting rail tracks, loading terminals and silos. The first rail cars have been delivered and a rail operator contract has been signed with Green Cargo for the Dannemora–Hargshamn line. A ten-year contract with the port has been signed and the port is implementing its final adaptation of the unloading facility ready for a higher volume of production in autumn.

Delivery plans for 2012

The five-year supply contracts we signed with our steel customers were also pivotal events during the year and mean that our shipments start in in 2012.

We have encountered a positive reception from the market. Dannemora Mineral is a relatively small mining company and our proximity to markets in Northern Europe allows us to be flexible in our solutions. By listening to our customers and responding to their wishes, we have become competitive in our local market, and our products provide a good complement to those offered by other iron ore suppliers to European steel mills.

The initial annual production volume will correspond to 500,000 tonnes of finished iron ore products in an optimal mix of fines and lump ore. We expect annual production to increase to 1 million tonnes in late 2012, reaching full annual capacity of 1.5 million tonnes in March 2013.

The former project organisation was gradually phased into the operational organisation during the second half of 2011. From April 2012, the operational organisation will essentially take over and then implement the start of production.

Important recruitments

We recruited 39 new employees during the year and we are very pleased with the results of all these appointments. Our recruitment of these highly skilled employees, who are energetic and committed individuals, means we are well equipped for the start of production.

Our 2011 recruitments included the management group that will work with Kjell Klippmark, Managing Director of Dannemora Magnetit, the operational company which runs the mining operations. Several of the management group have a background in the mining industry and all have a high level of specialist expertise which I see as very valuable.

The first shift was in place in early December 2011 and recruitment of the second shift was completed in spring 2012. A third shift will be recruited in early 2013.

Target of 30 percent female representation achieved

With the new recruitments, we now have 30 percent female representation in the organisation, while the percentage of women in our underground operations is actually 40 percent. Our goal is for at least one-third of our employees to be female and we are almost there. We are keen to have even more women in the Company and we are working towards 40 percent.

I am heartened by the local support and positive reception we have been given in the region both from politicians in the municipality and the rest of the community. There is a proud tradition of iron ore activities in the region and this is a legacy we intend to nurture with care.

Challenges

The industry has at least two major challenges ahead. One is the supply of expertise in the mining industry. At present, there are no training places for filling the demand for skilled labour.

In the current situation, the mining industry needs to employ several thousand people over the next few years. The shortage of trained mining engineers and other skilled mining personnel has contributed to growth in the mining industry in Sweden falling behind internationally. With sufficient supply of skilled labour, production in the Swedish iron ore market would be likely to grow significantly within the next 10 years. Consequently, many more training courses and places are urgently required. However, Dannemora has an advantage over many other mining companies here, as the Uppland region is able to offer housing, a strong labour market and good training opportunities. Recruitment has also gone surprisingly well for the Company so far.

The second challenge for Dannemora Mineral and the rest of Swedish industry is to continuously improve productivity and increase cost efficiency. As logistics represents one of the largest cost areas in the mining industry, the EU's new sulphur directive for the Baltic Sea, which comes into force in 2015 and imposes a maximum sulphur content of 0.1 percent for marine fuel, is a competitive threat. This would result in 40-60 percent higher fuel costs for sea transport exclusively in the Baltic Sea.

"We expect a positive cash flow by the end of 2012."

The cost increases represent a restriction on competition and the environmental benefits of reduced sulphur emissions would quickly disappear if sea transport were replaced by road transport. It is imperative that the increased costs do not affect individual export companies, but that fair competition is achieved, also from an international perspective.

A bright future

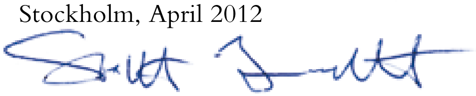
I look forward with great optimism to Dannemora Mineral's future. Dannemora Mineral's iron ore products represent a good complement to our market in Northern Europe and suit that market well. What is more, the EU has expressed a clear desire for a higher iron ore self-sufficiency ratio and is therefore positive to more European mining companies. One concern is a possible further decline in European industry. The European steel mills are not operating at full capacity at present. This has not yet made an impression on demand. The combination of an inadequate supply of iron ore and delayed mining projects has helped global demand remain sufficiently high and the price of iron ore is still at a historically high level.

Despite a slight downward revision of the GDP growth forecast in China, we are still seeing strong demand for iron ore demand there, while the recent signs of an upturn in the United States point to increased demand from that quarter. The price of 62 percent iron ore delivered to China has hovered around 140-145 US dollars per tonne in the early part of 2012. The price appears to have stabilised at that level and many industry analysts expect this level to be maintained during 2012.

I am proud of the diligent and professional efforts that all my colleagues put in during 2011 under immense time pressure, and I expect that 2012 will be a positive milestone year for Dannemora. The start of production in April and the first customer deliveries this summer take the Company into a new era and we expect a positive cash flow by the end of 2012.

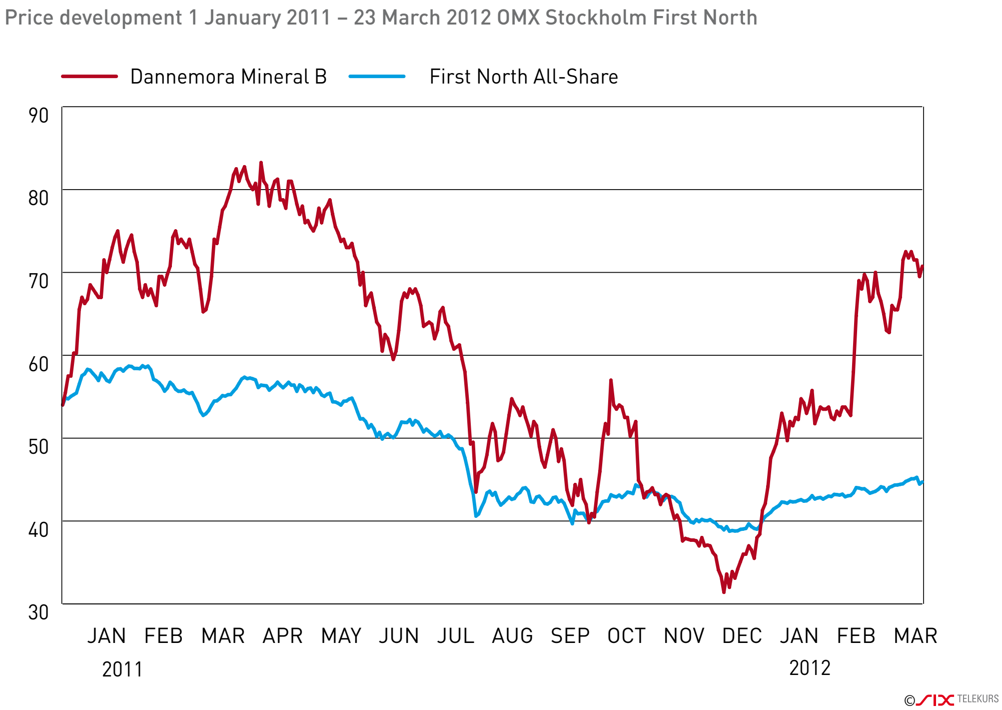
This leaves Dannemora Mineral well positioned to become a successful Swedish mining company, with the Dannemora mine once again contributing to the Swedish export industry and the prosperity of the Swedish nation.

Stockholm, April 2012



Staffan Bennerdt
President and CEO

Price development



OMX Stockholm First North

Dannemora Mineral AB's class B shares have been listed on First North since 25 May 2007.

On the first trading day of 2011, the share was quoted at SEK 55.50. On the last trading day of the year, the share price was SEK 38.40, which corresponds to a decline of 31 percent during 2011. In the same period, the First North All-Share index fell by 28 percent, while the OMX Stockholm PI index fell by 18 percent. The highest closing price in 2011 was SEK 83.25 (13 April) and the lowest was SEK 31.40 (12 December).

10.6 (7.7) million shares were traded in 2011. This corresponds to a turnover rate of 87 (82) percent based on the average number of class B shares during the year. The total value of shares traded was SEK 670.4 million, compared with SEK 484.6 million the previous year.

At 23 March 2012, the Dannemora share was quoted at SEK 70.75, which is a year-to-date increase of 84 percent. In the same period, the First North All-Share index rose by 11 percent, while the OMX Stockholm PI index increased by 11 percent.

Oslo Axess

Dannemora Mineral AB's class B shares have been listed on Oslo Axess since 17 June 2010.

On the first trading day of 2011, the share was quoted at NOK 48.00. This was followed by a low level of trading in the shares and at the close of trading on 19 May, the share price was NOK 71.00. The low turnover on Oslo Axess is explained by the low number of shares registered in the Norwegian Central Securities Depository system (VPS). At the beginning of 2011, the number of registered shares was 885,000 while at the end of the year, the number was just 353,000.

Share capital

Dannemora Mineral's total share capital at 31 December 2011 was SEK 2,217,664, divided into 1,200,000 class A shares and 12,660,400 class B shares. Each share has a par value of SEK 0.16. Class A shares carry 10 votes per share, while B shares carry one vote per share. All shares carry equal entitlement to a share of the company's assets and earnings.

In March 2012, the Board of Dannemora Mineral AB exercised the mandate granted by the extraordinary general meeting to complete a private placement which brought the Company proceeds of SEK 103.5 million before issue expenses. A total of 1.5 million class B shares were subscribed for at a price of SEK 69. After the issue, the Company's share capital amounted to SEK 2,457,664, divided into 1,200,000 class A shares and 14,160,400 class B shares.

The Company's share capital must not be less than SEK 1,600,000 and must not exceed SEK 6,400,000. This corresponds to a minimum of 10,000,000 and a maximum of 40,000,000 shares.

Number of shareholders

The number of shareholders at 29 February 2012 was approx. 4,700.

Analyses

Swedbank First Securities regularly publishes analyses of Dannemora.

Share capital development

Year	Transaction	Increase in share capital, SEK	Total share capital, SEK	Increase in number of shares	Total number of shares	Share issue price, SEK
March 05	Company formed	100,000	100,000	-	100,000	1.00
Jan 06	New share issue	22,000	122,000	22,000	122,000	50.00
June 06	New share issue	41,000	163,000	41,000	163,000	369.00
March 07	Bonus issue	358,600	521,600	-	163,000	-
March 7	Share split 20:1	-	521,600	3,097,000	3,260,000	-
May 07	New share issue	224,000	745,600	1,400,000	4,660,000	61.00
June 08	New share issue	496,000	1,241,600	3,100,000	7,760,000	50.00
March 10	New share issue	440,000	1,681,600	2,750,000	10,510,000	60.00
April 10	New share issue	200,000	1,881,600	1,250,000	11,760,000	69.50
June 10	New share issue	16,064	1,897,664	100,400	11,860,400	63.06
March 11	New share issue	320,000	2,217,664	2,000,000	13,860,400	75.00
March 12	New share issue	240,000	2,457,664	1,500,000	15,360,400	69.00

Ownership

The table below shows the ownership structure of Dannemora Mineral at 29 February 2012, based on an extract from Euroclear and VPS.

	Holding		Share of	Share of
	A shares	B shares	Capital, %	Votes, %
Lennart Falk, directly and via companies and family	600,000	260,750	6.2%	25.4%
Nils Bernhard, directly and via family	600,000	218,000	5.9%	25.2%
Insurance Company, Avanza Pension	0	1 102,016	8.0%	4.5%
Pohjola Bank PlC Client A/C	0	804,975	5.8%	3.3%
JP Morgan Bank	0	745,000	5.4%	3.0%
Friends Provident International	0	623,944	4.5%	2.5%
Per-Uno Sandberg	0	500,000	3.6%	2.0%
Mikaros AB	0	400,000	2.9%	1.6%
Nordnet Pensionsförsäkring AB	0	364,597	2.6%	1.5%
Aps Capital AB	0	363,700	2.6%	1.5%
Holberg Norden	0	294,311	2.1%	1.2%
Seb S.A Nqi	0	163,739	1.2%	0.7%
Nils Sandstedt	0	152,000	1.1%	0.6%
Pkl E.Öhman J:or Suomi Oy	0	136,000	1.0%	0.6%
Arvarius AS	0	133,500	1.0%	0.5%
Kristian Wiman	0	130,000	0.9%	0.5%
Mikaros Invest AB	0	129,244	0.9%	0.5%
Veritas	0	126,613	0.9%	0.5%
Strategic Wisdom Nordic AB	0	122,732	0.9%	0.5%
First Securities Asa	0	118,236	0.9%	0.5%
Other	0	5,771,043	41.6%	23.4%
Total shares	**1,200,000**	**12,660,400**	**100.0%**	**100.0%**

Incentive schemes

In 2008, an incentive scheme comprising a maximum of 85,000 warrants and 85,000 share options for the Parent Company's CEO and key management personnel in the Group was adopted. 75,000 warrants and 85,000 share options were allotted. At the end of the subscription period (15 January 2012), no shares had been subscribed for under the incentive scheme. The programme is described in more detail in note 8 on page 68.

Group

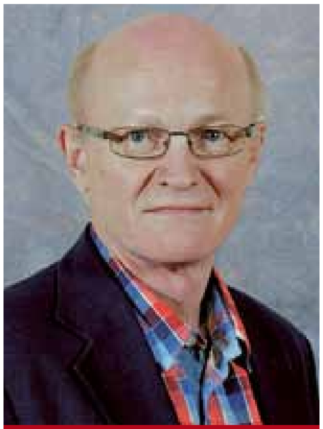
	01/01/2011 - 31/12/2011	01/01/2010 - 31/12/2010	01/01/2009 - 31/12/2009	01/01/2008 - 31/12/2008	01/01/2007 - 31/12/2007
Income statement (SEK thousands)					
Net sales	3,131	44,863	5,957	2,866	-
Operating expenses	-56,128	-96,801	-30,022	-30,128	-11,835
Net financial items	-65,163	999	652	4,564	1,661
Profit/loss after financial items	-118,160	-50,939	-23,413	-22,698	-10,174
Income tax	-16	-	-	-	-
Profit/loss for the year	**-118,176**	**-50,939**	**-23,413**	**-22,698**	**-10,174**
Balance sheet (SEK thousands)					
Assets					
Intangible assets	42,322	38,166	34,073	30,602	22,722
Property, plant & equipment	625,639	146,428	105,388	56,129	257
Financial assets	2,123	2,121	2,131	2,619	115
Current receivables	38,452	20,631	1,730	4,915	1,013
Cash & cash equivalents	628,836	212,134	62,641	146,114	63,706
Total assets	**1,337,372**	**419,480**	**205,963**	**240,379**	**87,813**
Equity and liabilities					
Equity	406,210	379,687	184,945	208,358	82,668
Non-current liabilities	800,039	13,000	13,242	13,000	-
Trade payables	69,833	17,909	3,470	12,440	3,125
Other current liabilities	61,290	8,884	4,306	6,581	2,020
Total equity and liabilities	**1,337,372**	**419,480**	**205,963**	**240,379**	**87,813**
Cash flow statement (SEK thousands)					
Cash flow from operating activities	-22,901	-61,387	-30,732	-20,497	-7,805
Cash flow from investing activities	-430,261	-32,608	-52,934	-47,483	-18,093
Cash flow from financing activities	859,739	245,681	-	148,388	79,739
Total cash flow	**406,577**	**151,686**	**-83,666**	**80,408**	**53,841**

Key figures

	01/01/2011 - 31/12/2011	01/01/2010 - 31/12/2010	01/01/2009 - 31/12/2009	01/01/2008 - 31/12/2008	01/01/2007 - 31/12/2007
Profit/loss after financial items, SEK thousands	-118,160	-50,939	-23,413	-22,698	-10,174
Return on average total assets, %	-3.8	-16.3	-10.5	-13.8	-19.6
Return on average equity, %	-30.1	-18.0	-11.9	-15.6	-21.2
Equity, SEK thousands	406,210	379,687	184,945	208,358	82,668
Equity/assets ratio, %	30.4	90.5	89.8	86.7	94.1
Cash & cash equivalents, SEK thousands	628,836	212,134	62,641	146,114	63,706
Gross investments in intangible assets, SEK thousands	6,668	4,688	3,720	9,399	17,363
Gross investments in property, plant & equipment, SEK thousands	479,781	41,575	49,509	56,267	225
Gross investments in financial assets, SEK thousands	2	-	-	2,504	15
Shares outstanding before full dilution on reporting date	13,860,400	11,860,400	7,760,000	7,760,000	4,660,000
Shares outstanding after full dilution on reporting date	14,049,400	12,049,400	7,949,000	8,009,000	4,720,000
Average no. of shares before full dilution	13,393,733	10,701,809	7,760,000	6,210,000	3,470,347
Average no. of shares after full dilution	13,582,733	10,890,809	7,949,000	6,377,250	3,530,347
Earnings per share before full dilution, SEK	-8.82	-4.76	-3.02	-3.66	-2.93
Earnings per share after full dilution, SEK	-8.70	-4.68	-2.95	-3.56	-2.88
Equity per share, SEK	29.31	32.01	23.83	26.85	17.74
Share price, SEK	38.40	54.00	41.00	8.60	31.00
Average number of employees	20	14	13	14	8

Definitions of key figures and financial ratios

Return on average total assets:	Profit/loss after financial items plus finance costs as a % of average total assets.
Return on average equity:	Profit/loss after financial items as a % of average equity.
Equity:	Equity at year-end.
Equity/assets ratio:	Equity as a % of total assets.
Outstanding shares on balance sheet date before full dilution:	Number of shares at year-end.
Outstanding shares on balance sheet date after full dilution:	Number of shares at year-end adjusted by the number of shares that can be subscribed for under outstanding incentive schemes.
Average number of shares before full dilution:	Average number of shares during the financial year.
Average number of shares after full dilution:	Average number of shares during the financial year adjusted by the number of shares that can be subscribed for under outstanding incentive schemes.
Earnings per share, after full dilution:	Profit/loss after financial items divided by the average number of shares before full dilution.
Earnings per share, after full dilution:	Profit/loss after financial items divided by the average number of shares after full dilution.
Equity per share:	Equity at year-end divided by outstanding shares before full dilution.
Share price:	Share price at year-end.
Average number of employees:	Average number of employees during the year converted to full-time equivalents.



Nils Bernhard

Founder. Chairman since 2005.

b. 1947.
M.Sc. (Eng.), B.Sc. (Econ).
Entrepreneur and private investor.
Chairman of Mångubben AB and Headweb AB. Director of Tobii Technology AB, Pajeb Kvarts AB and Bioimics AB.
No. of shares and options*:
600,000 class A shares and 218,000 class B shares (directly and through related parties).

Nils Sandstedt

Deputy Chairman since 2007. Elected to the Board in 2006.

b. 1964.
B.Sc. (Econ).
Corporate finance consultant and private investor.
Other directorships: Skebo Konferens AB
No. of shares and options*:
152,000 class B shares.

Lennart Falk

Founder. Elected to the Board in 2005.

b. 1941.
Ph.D. and Geologist.
Entrepreneur and private investor.
CEO of Parent Company from 2005 to 2006 and Managing Director of Dannemora Prospektering until 2008.
Other directorships: Pajeb Kvarts AB and Svensk Prospekteringskonsult AB.
No. of shares and options*:
600,000 class A shares and 262,750 class B* shares (directly and through related parties and companies).

Christer Lindberg

Elected to the Board in 2006.

b. 1948.
B.Sc. (Econ), MBA. Advisor to companies and investors.
Other directorships: Chairman of Scandinavia Energy Efficiency AB.
Director of S.E.G Resistor AB, Mama Mia AB, Diamyd Medical AB, Noxon AB, LightLab Sweden AB and Xllnc Nordic AB.
No. of shares and options*:
15,699 class B shares.

Niklas Nordström

Elected to the Board in 2007.

b. 1968.
Senior Consultant at Prime PR AB.
Other directorships: Director of Egenmakt AB.
No. of shares and options*:
3,000 class B shares.

Robert Eek

Elected to the Board in 2011.

b. 1981.
B.Sc. (Econ) and LL.B.
CEO of APS Capital AB.
Other directorships: Chairman of APS Capital AB, ST Bostäder AB and Black Oak Holding AB. Director of S:t Olov Bil AB.
No. of shares and options*:
363,700 class B shares (through companies).

Stefan Månsson

Elected to the Board in 2011.

b. 1951.
Mining Engineer, KTH.
CEO of smanson konsult ab.
Other directorships: Director of Arctic Gold AB and Wiking Mineral AB.
No. of shares and options*:
No holdings.

* Information on holdings of shares and warrants is correct as at 31 December 2011.

Lars-Göran Ohlsson
was a Board Member until the end of May 2011.

Kjell Klippmark

Managing Director, Dannemora Magnetit AB
b. 1954.
Mining Engineer.
Appointed in 2007.
No. of shares and options*:
15,000 class B warrants (on full subscription 15,000 shares) and 15,000 class B share options (on full subscription 15,000 shares).

Staffan Bennerdt

Group President and CEO, Dannemora Mineral AB
b. 1954.
B.Sc. (Econ).
Appointed in 2008.
No. of shares and options*:
50,000 class B warrants (on full subscription 50,000 shares) and 50,000 class B share options (on full subscription 50,000 shares).

Jan Vestlund

Marketing and Logistics Manager, Dannemora Mineral AB
b. 1947.
M.A. (Political Science), B.Sc.
Appointed in 2007.
No. of shares and options*:
4,000 class B warrants (on full subscription 4,000 shares) and 10,000 class B share options (on full subscription 10,000 shares).

Niklas Kihl

CFO, Dannemora Mineral AB
b. 1964.
B.Sc. (Econ).
Appointed in 2007.
No. of shares and options*:
100 class B shares. 6,000 class B warrants (on full subscription 6,000 shares) and 10,000 class B share options (on full subscription 10,000 shares).

Yvonne Gille

HR and Communications Manager, Dannemora Mineral AB
b. 1950.
B.A. (Journalism).
Appointed in 2010.
No. of shares and options*:
200 class B shares.

Peter Svensson was Exploration Manager at Dannemora Magnetit AB until the end of December 2011.

Öhrlings PricewaterhouseCoopers AB has been the Company's auditor since 2005. Chief Auditor Annika Wedin (b. 1961) is an authorised public accountant (1993) and a member of FAR.

OPERATIONS

11

Management and the first shift ready for the start of production in the second quarter of 2012

Ready to go

2011 was a year of preparations for the start of production, which went ahead as planned in the second quarter of 2012, following the securing of financing and long-term contracts. The operational management group and the first shift are also in place. The operational start-up took place on 2 April 2012.

Financing in place

In March 2011, Dannemora Mineral completed a five-year bond issue of USD 120 million, which is an unconventional way of arranging loan financing in the mining industry. Although the loan has a higher interest rate than a conventional bank loan, this is outweighed by the benefits, particularly the timing of the financing.

With the financing in place, the Company has been able to initiate the time-critical investments during spring and start recruiting new employees. The number of employees increased from 14 to 51 in 2011.

Three long-term supply contracts

Three five-year supply contracts were signed during the year. Two of them were with European steel companies, ThyssenKrupp Steel Europe AG and Salzgitter Flachstahl GmbH, for the annual supply of 300,000 tonnes of iron ore products (each), with deliveries commencing in 2012.

A five-year contract was also concluded with Stemcor UK Ltd for the annual supply of up to 600,000 tonnes of iron ore products. Deliveries are scheduled for 2012.

Management recruited

Dannemora Magnetit AB is responsible for operations in and around Dannemora and for exploration activities. The company is led by Managing Director Kjell Klippmark. Recruitment of the operating organisation took place in 2011. The recruitment was completed successfully and the Dannemora operational management group is now in place. All members of the management group have a high level of specialist expertise, with many of them having a background in the mining industry. A production controller was also recruited in 2011. A new position as Deputy Managing Director of Dannemora Magnetit has been created and was filled in the first quarter of 2012.

The operational management group, headed by Managing Director Kjell Klippmark, now consists of the mine planning manager, development manager, mining manager, sorting plant manager, service manager, QEHS manager and the deputy Managing Director.

The operational management group is complemented by process managers and engineers who are responsible for technical issues. Recruitment of these individuals began in 2011 and will be completed in 2012.

Kjell Klippmark, Managing Director Dannemora Magnetit AB.

40 percent women in the first shift

The recruitment of the first shift of 24 individuals took place during autumn and was completed on 1 December. Forty percent of the new employees are women. Dannemora is working consistently to achieve an even gender balance and the target is for at least one third of employees in the organisation to be female.

Training of new employees began in December and continues until the start of operations. The second quarter of 2012 marks the recruitment of the second shift, which will be in place by summer. The third shift will be recruited in early 2013.

Rock Mechanic Basem Alsamavi tests rock strength.

The recruitment has progressed quickly and smoothly. There has been keen interest in Dannemora Mineral from the local labour market and from nationwide professionals in the mining sector. This has enabled the Company to recruit people with the right skills and with qualities that fit Dannemora Mineral's profile.

Modern mining

Dannemora Mineral has a modern organisational structure with short lead times, new machinery equipment, a flat process organisation with short decision-making channels and a target of at least one-third female representation among employees.

New drill rig is controlled by Karin Tröjbom.

The Dannemora mine was shut down by SSAB in 1992. At full production, the resumed mining operations will generate 2.5 million tonnes of crude ore, which is almost three times the annual production when the mine was last in use. Initially, the annual production volume will be 500,000 tonnes of finished iron ore products, rising to 1 million tonnes at the end of 2012. Full production of 1.5 million tonnes will be achieved in 2013.






Pre-production work

With the financing secured in March, the Company was able to start all the planned investments projects in spring.

The year 2011 was dominated by the preparatory work prior to the recommencement of operations at Dannemora. Although this mainly related to large investments in infrastructure and the new sorting plant for ore processing, it also included preparations associated with mining, machinery and servicing.

The project organisation that was created to implement the investment projects is gradually completing the various sub-projects. The completed sub-projects are being incorporated into the operational organisation. The remaining sub-projects relate to the mine ventilation system and the hoist system for bringing up iron ore via the central shaft. These will continue until 2013.

Investments - surface and underground

SURFACE:

Sorting plant

In January 2011, Dannemora contracted Skanska IME to design the permanent sorting plant, and in April a partnership agreement was signed, also with Skanska IME, for the construction of the plant. The sorting plant has been designed for an annual capacity of 2.0 million tonnes of finished iron ore products, with 60 percent lump ore and 40 percent fines.

The installation of the facility began during the fourth quarter and has continued during the first quarter of 2012. Suppliers are participating in the trial operation and running-in of the equipment, which started in January 2012.

The performance tests will continue for six months after the start of production.

Skips and underground crushers will be completed in spring 2013. Until then, crushing of the ore will take place on the surface.

Industrial roads and rail terminal

The terminal for loading rail cars in the industrial area and the industrial and access roads were all completed in summer 2011.

Railway

The renovation of the Dannemora-Hargshamn railway line, carried out by the Swedish Transport Administration, was completed in summer 2011. The Transport Administration has reinforced the railway line's bearing strength to enable it to withstand the axle pressure of the ore cars and cope with higher speeds.

In August, Dannemora Mineral signed a contract with Green Cargo to transport ore along the Dannemora-Hargshamn railway line, for further transportation by sea to the customer. This is a seven-year contract with a renewal option for another five years.

A contract has been signed with NACCO S.A.S. for the lease of 28 four-axle rail cars, each of which has a capacity of 69 tonnes of ore. The first 14 cars were delivered in February 2012.

Each ore train will consist of 22 ore cars and two locomotives. At full operation, the ore trains will run three times a day, seven days a week and 50 weeks a year. The agreement with NACCO runs until the end of 2019, with an option to extend the agreement until 2024 or purchase the rail cars.

Port

A ten-year agreement has been concluded with Hargs Hamn AB for unloading the iron ore, and for storage and loading onto ships. The first deliveries will be shipped from the port when production starts in the second quarter of 2012.

Dannemora is working with Hargs Hamn AB to adapt and optimise the unloading and port facilities for handling the ore. The entire logistics chain from mine to customer is secure now that the port facility has been rebuilt.

High voltage

Vattenfall Nät has upgraded the power supply to the area to 20MW. The work was completed in December 2011.

The first 14 rail cars were delivered in February 2012.

The first deliveries are shipped from Hargshamn in the second quarter of 2012.

Trial operation and running-in at the new sorting plant started in March 2012.

UNDER JORD:

New main ramp

Because the existing ramps were proving inadequate, we decided to develop a new ramp, approx. 3.7 km long, from the surface to the 460 metre level. This will provide a safer and more effective ramp system The work on the new ramp began in spring 2011 and was 75 percent completed at the end of the year. The ramp is scheduled for completion by the start of production.

The new ramp system will create efficient traffic access throughout the mine and allows an early production start, as ore can be brought up by truck until the ore skip is completed in spring 2013. The main ramp will have long straight sections and will be wider than the old ramps, allowing oncoming traffic. This will facilitate transport to and from the surface.

Dannemora has entered into an agreement with Bergteamet AB for ramp placement and pre-production development work. MLT has been contracted to transport the crude ore from the mine to the plant from the start of production until the new hoist system is completed.

Sketch of the permanent sorting plant.

Permanent pumping system

The mine has now been drained of water to the bottom of the shaft at the 620 metre level. Construction of the permanent system for pumping water up from the bottom of the mine via water basins at the 460 metre and 350 metre levels was completed at the end of the year. The system will take care of the natural inflow of water into the mine, which is approx. 10 litres per second.

Process manager Mikael Eriksson shows where the new main ramp will go.

Shotcreting of the drift roof to increase safety.

The work has also involved the installation of new pumping stations at the 350 and 460 metre levels and power supply to them.

The system will be taken into operation in the first quarter of 2012. An industrial water system from the water basins underground and sedimentation basins for residual water on the surface will be installed.

Mine ventilation

The mine ventilation construction work began in the third quarter with preparatory foundation and shaft work. The first ventilation shaft and heating system was completed at the end of the year. Work on the second ventilation shaft and construction of the flow system is in progress.

Hoisting

In April 2011, Dannemora Mineral entered into a contract with ABB for the delivery, installation and commissioning of the new hoist system (ore skip) at the Dannemora mine. The skip will carry the ore from approx. 600 metres up to the head frame. From there the ore will be transported to the sorting plant on conveyor belts. The plant has a capacity of 500 tonnes per hour and will be operational 24 hours a day, 7 days a week.

The skip is dimensioned to handle an annual capacity of 3.3 million tonnes of crude ore from the mine, which is higher than the 2.5 million tonnes defined in previous plans. The system is expected to be ready for operation in spring 2013

Other pre-production work

Underground work

The planning and design of the mine is carried out as the different parts of the mine become accessible. Ramp placement and pre-production development are in constant progress and the underground work is adapted to requirements and conditions.

Production drilling

Production drilling at the 145 metre level of the Botenhäll ore body began in November and was completed in January 2012. Production drilling in Norrnäs 3 has also been in progress in January 2012. This will be followed by Ströms and Norrnäs 1 and 2. Previous production drilling will be completed at Konstäng.

Blasting

Dannemora Mineral has signed an agreement with EPC Sverige AB, which covers the supply of all explosives, as well as charging and blasting in the Dannemora iron ore mine. EPC is also responsible for explosive goods, the explosives store and providing equipment for production and preparation charging. An explosive store has been prepared at the 236 metre level

The first drill rig was delivered in December 2011 and named Klara.

The first production blasting was carried out on 22 February 2012, after the end of the financial year.

Mobile machinery underground

During the summer, Dannemora contracted Sandvik Mining and Construction Sverige AB to supply mobile mining machinery for underground operations. The first machines were delivered towards the end of the year and the remainder will be delivered during the course of 2012.

Workshops and service areas underground

Sandvik Mining, Construction Sverige AB and Dannemora Mineral have started the process of completing the areas to be used for underground maintenance. The breakthrough of the new ramp at the 350 metre level has created access to large parts of the mine, which have been cleared of abandoned machinery and scrap.There are two large workshop areas at the 460 metre level. One is in good condition and will be used as service station. It is being cleared of scrap and prepared during the first half of 2012.

Construction of the crushing area has commenced and a contract has been awarded for the primary crusher.

Service on the surface and underground

Negotiations with partners continued in 2011 and agreements were drawn up in areas which included car maintenance, internal infrastructure such as fibre cable, high and low voltage installations, working clothes and laundry, and other associated procedures.

Dannemora Mineral has signed a full-service contract with ABB, which gives that company full responsibility for process plant maintenance. ABB has electrical responsibility for high and low voltage. Eleven ABB employees will be based at the newly established service unit in Dannemora. Each shift team at the sorting plant will include an operator from ABB Service with expertise in electrical and mechanical work. A number of specialist functions will also be linked to the operations there.

In addition to the service contract, ABB is already Dannemora's electrical/automation equipment and hoist system supplier.

Homogenisation store

Dannemora Mineral will build up a homogenisation store in Hargshamn to ensure high and consistent product quality.

Notification of mining operations

Dannemora Mineral notified the Mining Inspectorate of the start of mining operations from 13 January 2012, which was after the end of the financial year. The notification is based on initial underground work prior to the upcoming iron ore production.

Construction of the railway terminal with loading hoppers continued throughout 2011.

Tailored products & solutions

With proximity to the market and short lead times and transportation, the Company has plenty of flexibility in its customer solutions. This means Dannemora will be able to offer customers tailored transport solutions. It also allows rolling planning with customers and just-in-time deliveries that help to keep their stocks at a steady level.

Shipments can be scheduled to suit the customer, who is able to maintain high availability of ore by arranging more frequent shipments or a quick delivery in the case of urgent need.

Dry processing results in low costs

The commercially interesting iron mineral in the Dannemora field is magnetite. Because the ore is magnetic, dressing is easy, which means processing is inexpensive. It is crushed and undergoes dry processing in the form of two-stage magnetic separation. Dry processing has many advantages. In addition to being significantly less expensive than a wet process, dry processing means the ore does not need to be dewatered and there is no danger of freezing. In addition, shipping costs are positively affected and environmental impacts are minimised.

Products to suit the market

Dannemora iron ore will be supplied as two processed products, namely Dannemora Fines, size 0-5 mm, and Dannemora Lump, size 5-16 mm. Dannemora Fines grades 55 percent iron, while Dannemora Lump grades 50 percent iron. The plan is to produce 60 percent lump and 40 percent fines, which is a good reflection of demand in Dannemora's market in Northern Europe.

Specialty products

As an interesting supplement to its regular production, Dannemora also anticipates a certain market for iron ore products in the heavy concrete sector, e.g., for radiation protection purposes and as a stabiliser in machines. The products were tested by potential buyers and there is a high level of interest.

Dannemora's location, 36 kilometres from the port of shipment, and its proximity to the market in northern Europe means customers have attractive transport solutions with short lead times and competitive freight rates.

“Short lead times and fast deliveries enable us to offer customers individual solutions and just-in-time deliveries.”

JJan Vestlund, Sales and Marketing Manager

Dannemora's market

Steel mills in northern Europe, which import their iron ore via ports in the Baltic Sea and North Sea, constitute Dannemora's primary market. Dannemora's position, 1,000 km closer to the North European market than its nearest competitor, gives the Company competitive advantages in the form of faster delivery times and lower freight costs.

Dannemora Mineral has five-year supply contracts with the European steel companies ThyssenKrupp Steel Europe AG, Salzgitter Flachstahl GmbH and Stemcor Ltd.

Stable demand for iron ore

Demand for iron ore is strong and most analysts agree that demand will outstrip supply until 2015. At full production, the annual need for iron ore from European steel mills is approx. 140-150 million tonnes.

Low inventory levels and steady demand mean a strong steel industry

In Europe, steel production increased by 2.8 percent compared with 2010 and amounted to 177.4 million tonnes of crude steel. In Germany, production of crude steel increased from 43.8 to 44.3 million tonnes.

Despite the increase, the European steel mills only produced 80 percent of their capacity. However, the German Steel Federation predicts an improved situation for the steel industry in 2012 thanks to stable demand and low inventory levels.

Production of crude steel in Northern Europe – Dannemora's Market, Mt

	2011	2010	% change from 2010
Germany	44,288	43,830	+1
United Kingdom	9,481	9,704	-2
Belgium	8,114	7,973	+2
Austria	7,474	7,206	+4
Poland	8,794	7,993	+10
Netherlands	6,937	6,651	+4
Sweden	4,866	4,846	0
EU27	12,541	12,648	-1

Source: World Steel Association

Good order intake despite financial turmoil

The order intake in Europe remains at a good level. However, consumers are more cautious and are holding back, making it harder to find investment capital. In addition, there is still an element of uncertainty in the financial turmoil in southern Europe.

New car registrations in the EU declined marginally by 1.7 percent in 2011. It is interesting to note that sales of the European prestige makes increased while mid-range models fell.

Photo: iStockphoto

Desire for more European iron ore suppliers

The European steelworks are keen to have a complement to the mining giants Vale, Rio Tinto and BHP Billiton, and are receptive to more European suppliers. The EU has also said that it would welcome more European iron ore suppliers.

Photo: iStockphoto

The Big Three continue to dominate

The world market for iron ore is dominated by the big three mining companies: Vale (Brazil), Rio Tinto (Australia) and BHP Billiton (Australia). Together, they control almost 70 percent of seaborne iron ore and also dominate the price negotiations.

Trend towards more trading in iron ore

There is increased interest in trading in iron ore from operators who have not previously worked with iron and steel. Banks and trading companies have acted as intermediaries between mining companies and steelworks. They offer solutions which can also include transportation and funding. Having more intermediaries also increases the risk of a speculative element entering into the trade, which has been the case with copper and gold.

The system of intermediaries has been around for ten years, and started when China entered the market as a major importer of iron ore. The majority of iron ore imports to China are conducted through intermediaries, while this happens only to a marginal extent in Europe. There is currently no evidence to suggest that this will change.

Price structure

The move from the annual benchmark pricing system to shorter periods continues. Quarterly iron ore prices now represent the dominant model in the market. Most deliveries are sold at quarterly prices controlled by the index applicable for the current quarter. The move towards shorter price periods is particularly evident in Asia. Today there is a wide variety of models, with annual, semi-annual, quarterly, monthly and spot prices.

Price trends

Iron ore prices and the performance of the US dollar against the Swedish krona are still major risks, and at the same time opportunities, for Dannemora's operations.

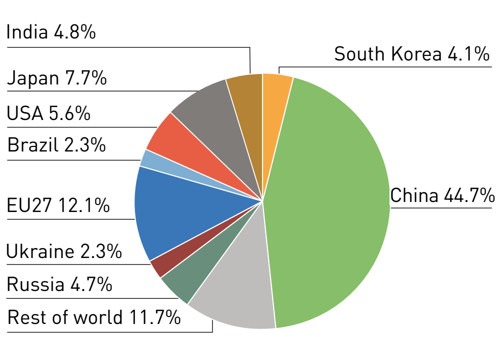
The price (Fe 63.5%) fell from a level of almost USD 190 per tonne CFR China in early 2011 to a low of USD 130

Photo: iStockphoto

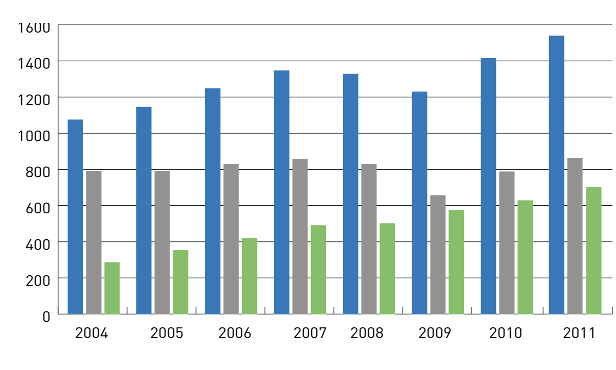

Foto: iStockphoto

Housing project in Shanghai.

Share of world crude steel production in 2011

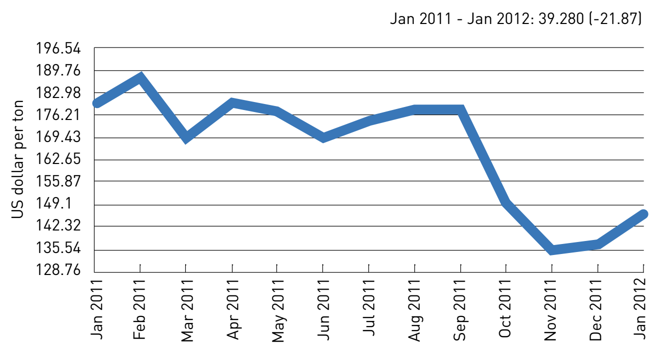


Annual production of crude steel, Mt



during autumn, picking up in December and ending the year on just over USD 140. Price trends are difficult to predict, although industry analysts agree that prices are likely to remain around USD 140 over the next few years. Contributing factors are the limited availability of iron ore and the postponement of several new iron ore projects.

Price of iron ore - US dollar per ton



China's imports of iron ore Fines 62% FE Spot (CFR Tianjin port), USD per tonne

Steel production increased by seven percent

In 2011, the rest of the world's production of crude steel was 1,527 billion tonnes, which is an increase of 6.8 percent. China dominates the market, with a market share of 45.5 percent. The country's production rose by nine percent in 2011, with 695.5 million tonnes of crude steel produced.

India produced 72.2 million tonnes of crude steel in 2011. Although China is the dominant producer, India is expected to be an economy to reckon with in the future and is predicted to catch up and perhaps even overtake China. The process is slower in India, as the country is more democratic and change is happening from the bottom. Crude steel production for the whole of Asia was 988.2 million tonnes in 2011, which is an increase of eight percent.

All major steel producing countries apart from Japan and Spain increased their production in 2011, with Turkey, South Korea and Italy showing the largest increase.

Stable Chinese demand, but future difficult to assess

Demand for iron ore remains stable in China, although the situation is difficult to assess. Chinese demand for iron ore is affected by construction and investment propensity. Dangers of a property bubble are countered by China's social housing plan, which was presented in March 2011, and has helped increase residential construction by 70 percent in 2011 (according to the Economist). The Chinese government has set a construction target of 36 million new homes by 2015. The target of 10 million homes was achieved in 2011 and remains the same for 2012.

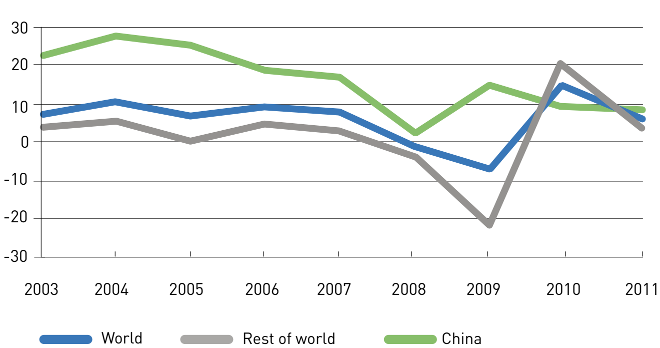
In December, China's official purchasing managers' index was at 50.3 and rose to 50.4 in January 2012. All values above 50 indicate an economic upturn, although the future is difficult to assess. The IMF's forecast for China's growth for 2012 has been reduced from nine to 8.2 percent. The China Iron & Steel Association has a positive view and predicts a recovery for steel demand in 2012 in the face of China's stable domestic economy.

China's economy is driven by exports to the United States and Europe. The IMF believes that growth in China may be halved if the recession in Europe is strong. An improvement can be seen in the United States where the PMI reached 53.1 in December and 54.1 in January 2012. Optimistic forecasts are indicating growth of three percent. With almost 25 percent of global GDP, the United States is still the world's largest economy.

Top 10 world steel producing countries and EU27, Mt

China	695.5
Japan	107.6
USA	86.2
India	72.2
Russia	68.7
South Korea	68.5
Germany	44.3
Ukraine	35.3
Brazil	35.2
Turkey	34.1
EU27	177.4

Production of crude steel - growth trend



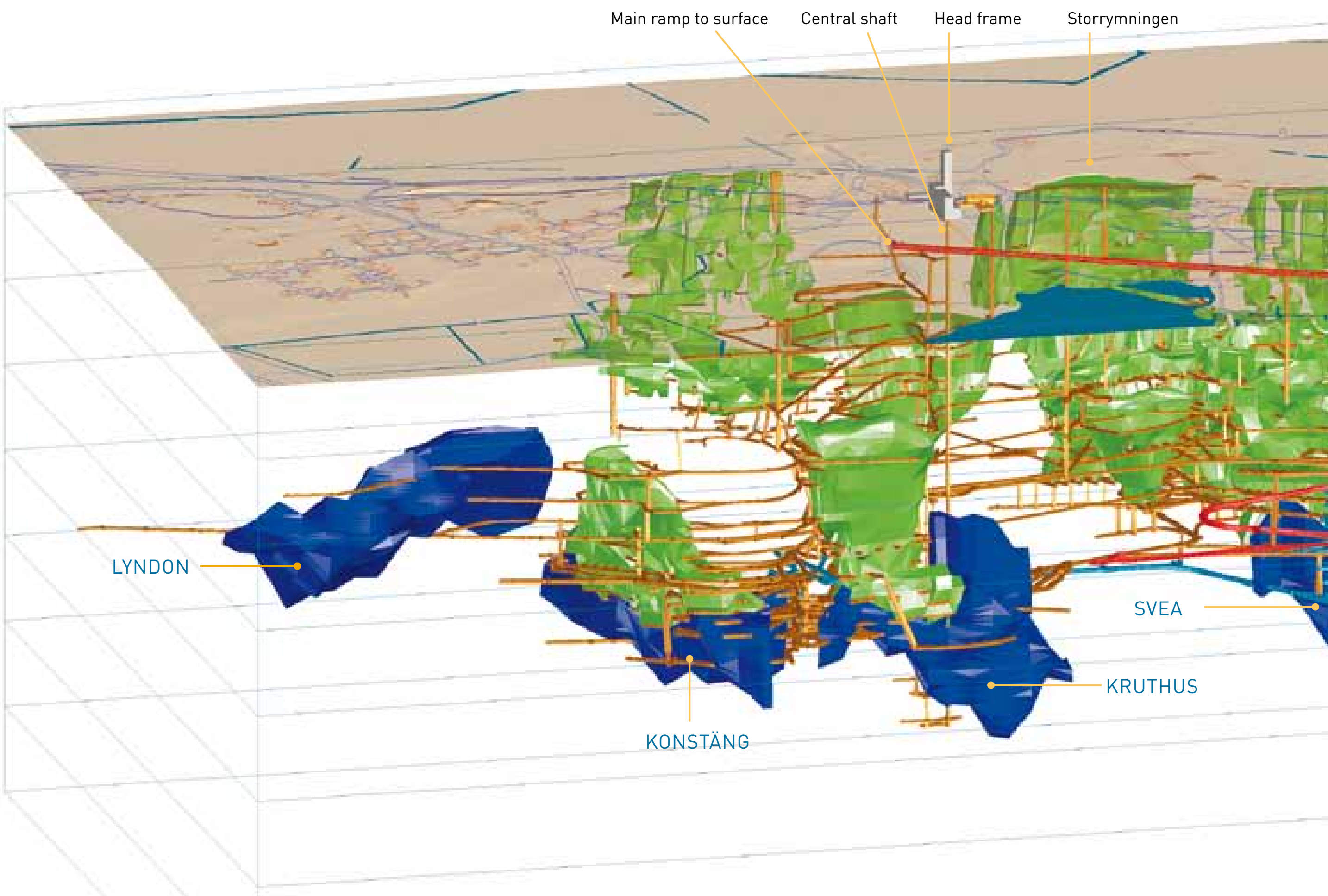
Production of crude steel in the world, Mt

	2011	2010	% change from 2010
Europe	329.0	314.4	+4.6
North America	118.9	111.4	+2.8
of which USA	86.2	80.5	+7.1
South America	48.4	43.9	+10.2
Africa	14.3	16.6	-13.8
Middle East	20.9	19.6	+6.9
Asia	988.2	915.8	+7.9
of which China	695.5	638.7	+8.9
Australia/New Zealand	7.2	8.1	-11.1
World	1,526.9	1,429.9	+6.8

Source for all graphs and tables: World Steel Association

Dannemora iron ore was formed 1.9 billion years ago

Dannemora's iron ore occurs in rocks formed in an active volcanic environment 1.9 billion years ago. The interesting iron mineral in the ore field is magnetite.



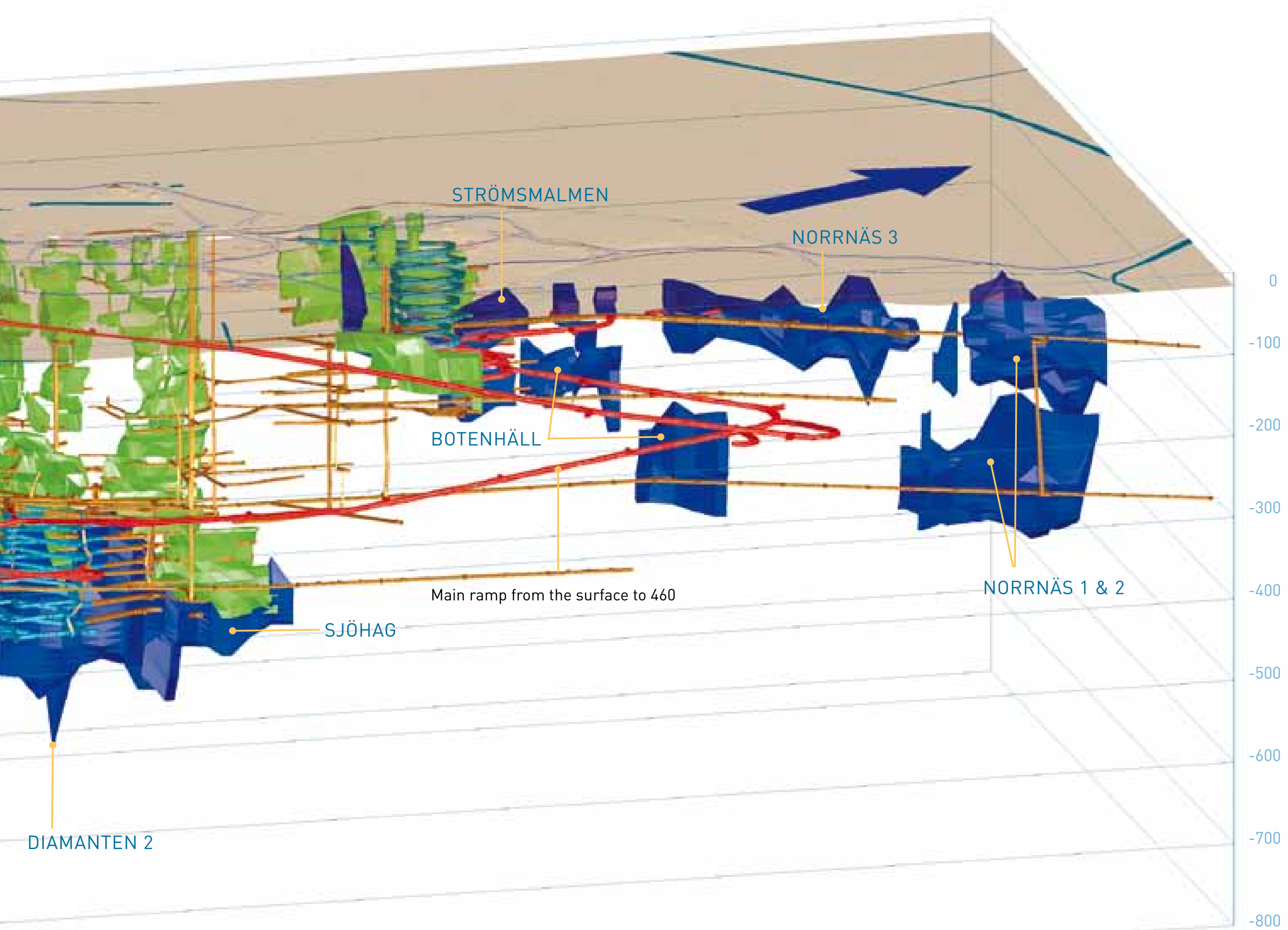
The bedrock in the Dannemora ore field mainly consists of steeply dipping layers of metamorphosed supracrustal rocks (originally formed on the earth's surface), which are assumed to be about 1.9 billion years old. They comprise mainly fragmented rocks of volcanic origin, carbonate rocks, iron mineralisation and metamorphosed varieties of these.

The volcanic rocks were formed during intense volcanic activity from gas-rich and fragment-bearing ash which flowed down, or from material raining down from the cloud of ash down the slope of the volcano, or from material falling down from the ash clouds thrown up by eruptions. The carbonate rocks are made up of limestone and dolomite. The rocks are are frequently altered to manganese-rich skarn, which consists of minerals such as dannemorite, or manganese-poor skarn, which is dominated by minerals such as diopside, actinolite and garnet.

The bedrock in the Dannemora ore field has undergone relatively little folding apart from the early folding phase which raised the supracrustal rocks. Instead, the tectonics are characterised by a large number of faults, which in some cases have caused considerable displacement.

The iron ore-bearing part of the fold structure (the Dannemora syncline) has a length of approx. 3 km and a width ranging between 400 and 800 metres.

The Dannemora exploitation concession is situated approx. 2 km west of the community of Österbybruk in the county of Uppsala. The concession covers 176.8 hectares and includes all known iron ores in the Dannemora ore field.



Large numbers of ore bodies

Depending on the primary formation of the iron mineralisation and subsequent tectonisation, a large number of iron mineralisations occur along strike at various depths. About 25 ore bodies were mined before the mine was closed down in 1992.

The iron ore bodies are normally massive and associated with the carbonate rocks. They strike approximately N30ºE and they have a thickness varying from a few metres to 60 metres. Close to the surface, the deposit dips steeply to the north west, while a less steep dip is encountered at depth (70° to 55°).

Magnetic surveys and core drilling in the northern part of ore field have indicated a potential for more iron ore there.

The iron mineral magnetite

The only economically interesting iron mineral in Dannemora is magnetite, which is composed of iron and oxygen (Fe_3O_4). The magnetite is mostly fine-grained (0.04–0.1 millimetres). It often appears with skarn minerals, which also surround several of the iron mineralisations.

As manganese is found in some skarn minerals such as knebelite and dannemorite, several of the ore bodies in the Dannemora ore field have a relatively high manganese content, mainly silicate-bound. All ore bodies have a low phosphorous content (<0.005 percent). The sulphur content varies from 0.06 to 0,7 percent.

New estimate increases the Dannemora mineral reserve

In 2011, an update of Dannemora's mineral reserve was made, which shows an increase of 6.9 million tonnes, meaning that the probable mineral reserve is estimated at 35.1 million tonnes of iron ore. At full production, the known iron ore will last for 15 years.

The updating of the mineral reserve was based on the estimate of mineral resource reported in August 2011. The classification of the mineral resource and mineral reserve is conducted in accordance with national and international standards and is based on the Australian JORC Code. The mineral resource estimate was conducted by geologists at Dannemora Magnetit AB in cooperation with an independent consultant and Qualified Person, Thomas Lindholm, GeoVista AB. In SveMin's regulations, the previous expression 'ore reserve' has been changed to 'mineral reserve' with effect from 2012.

Mechanical scaling after blasting

The diamond drilling programme, aimed at expanding the mineral resource, was carried out during the period May 2010 to February 2011. The drilling was carried out at the 145 metre level in the northern part of the Dannemora ore field, which is at the top of the mining plan. The drilling resulted in the modelling of the new Norrnäs 3 ore body. A total of 61 diamond drill holes with a total length of 5,060 metres were drilled and 39 of the drill holes define Norrnäs 3. The drilling programme has also provided more information on the existing Ströms and Botenhäll ore bodies.

The new estimate of measured, indicated and inferred mineral resource in Dannemora increases the total mineral resource by approx. 4 million tonnes compared with the previous one in 2009. The increase in tonnage is mainly due to three factors – the recently drilled mineralisation Norrnäs 3, a change in the cut-off grade from 30 to 20 percent iron and the use of a new, more accurate density calculation. The mineral resource for Norrnäs 3 is shown in the table below.

Norrnäs 3 mineral resource, 11/08/2011. Cut-off 20% Fe.

Category	Tonnage Mt	% iron (Fe)	% sulphur (S)
Measured	1.45	34.3	0.41
Indicated	0.03	35.1	0.51
Measured and indicated	1.48	34.3	0.41

The mineral reserve is constructed by adapting the measured and indicated mineral resource to the mining method. This will cause ore loss and waste rock dilution, which in Dannemora´s case with sub-level caving means an average ore loss of 9% and and a waste rock dilution of 11% of the mineral resource. The iron grade of the waste rock dilution is set to 5%.

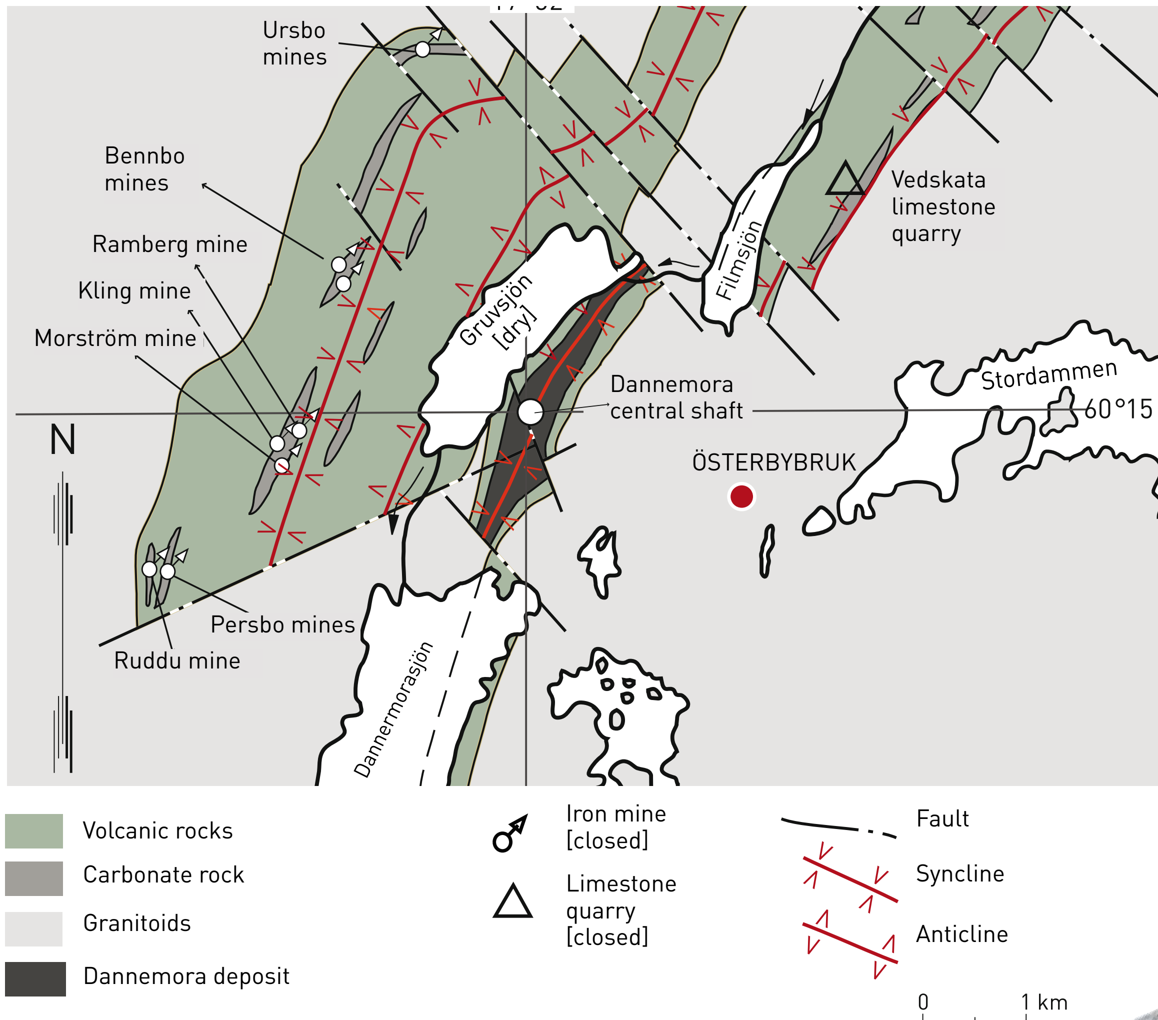
Dannemora mineral reserve, 23/12/2011 Cut-off 20% Fe.

Category	Tonnage Mt	% iron (Fe)	% sulphur (S)
Probable	35.1	35.3	0.24

The reported mineral reserve is distributed among 14 different ore bodies, which are located along the ore field's entire length of three kilometres. The full report can be found on Dannemora Mineral's website under Operations/Dannemora Magnetit/Mineral Resource Estimation. Dannemora´s current estimated mineral reserve in the Dannemora field is sufficient for 15 years at full annual production of 1.5 million tonnes of processed iron ore products.

Several of the known ore bodies in Dannemora are open at depth. However, interpretations made from historical magnetic surveys indicate a possible continuation of the

Geological map of the Dannemora area



Norrnäs and Svea ores at depth. Ore potential relating to the Ströms, Botenhäll and Norrnäs ore bodies is also indicated.

Product quality

To obtain consistent product quality, the aim is to conduct simultaneous mining of several ore, thereby ensuring an optimal mix of crude ore comes to the sorting plant. Dannemora Mineral has also decided to build up a homogenisation store in Hargshamn to ensure high and consistent product quality.

Development projects

Dannemora Mineral will gradually increase the mineral reserve by continuous exploration. The goal is to become a sustainable mining company conducting mining operations for many years to come. In 2011, efforts were concentrated on preparations for the start of production in the Dannemora mine, which meant that the focus was on the mine and its vicinity.

In exploration, the focus has moved from general to production-related exploration. Three diamond drill holes have been drilled from the surface, each c. 750 metres long and directed towards the possible continuation at depth of the Norrnäs and Botenhäll ore bodies. Iron mineralisation is thereby indicated down to approx. 500 metres depth in this area.These indicate iron mineralisations down to approx. 500 depth in this area. In autumn, core drilling comprising approx. 10,000 drilling metres underground was contracted.

In addition to an exploitation concession for the Dannemora ore field covering 176.8 hectares, Dannemora Mineral AB had 18 exploration permits at the end of the year, covering an area of 7,530 hectares. Six exploration permits expired during the year and two permits were extended. All the exploration permits and the Dannemora exploitation concession are wholly ownedby the Parent Company.

Riddarhyttan exploration permit

Dannemora Mineral has applied for an extension of the Riddarhyttan 1, 2 and 3 exploration permits by a further three years. The Riddarhyttan ore field is the most interesting iron ore project in addition to the main project in Dannemora. The field's iron ore is of the same type as the Dannemora ore, which provides commercial and logistical advantages.

Riddarhyttan is one of the oldest iron ore fields in Sweden. It contains a large number of mines, with Bäckegruvan having particular historical importance. The mine, which is mined for skarn magnetite ore, was operated by Fagersta AB until 1978 when all mining activity in the field ceased. Historical iron ore production from the entire Riddarhyttan ore field has been estimated at over 20 million tonnes.

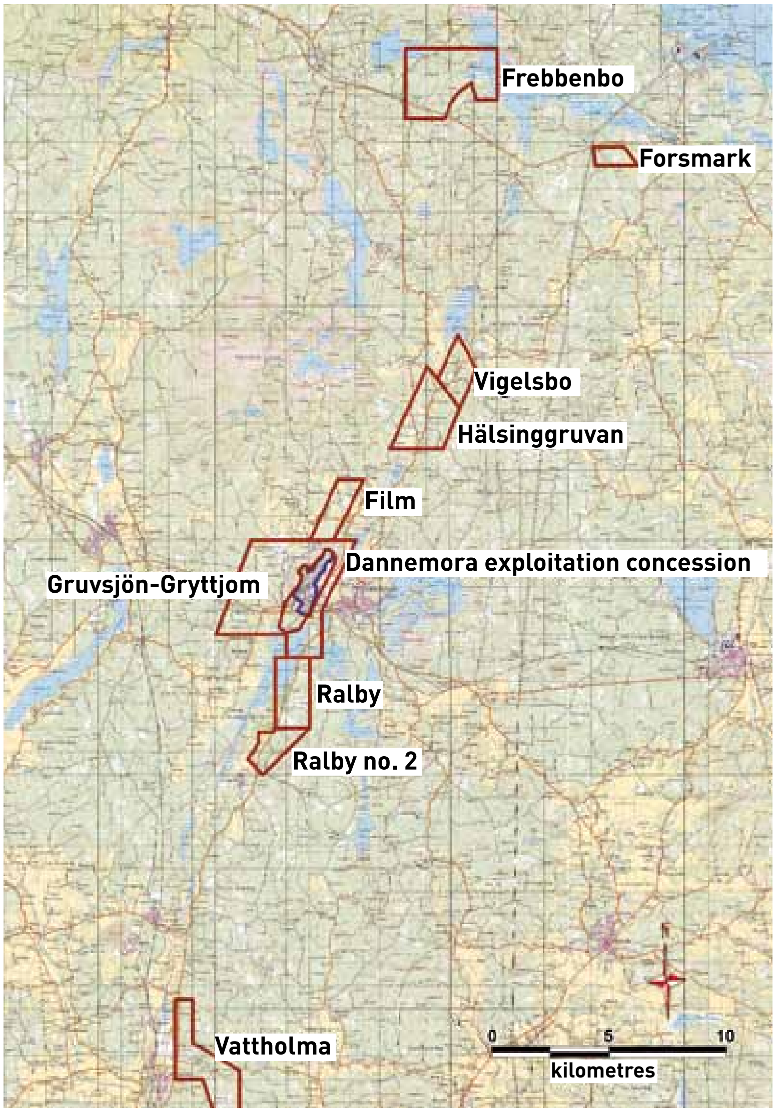
Dannemora Mineral believes that many of the known mineralisations in the field are open at depth and there is good potential for finding new ore bodies.

Two exploration permits safeguard iron ore

The Riddarhyttan 1 and Riddarhyttan 3 exploration permits cover the iron ore resources in Riddarhyttan. The two exploration permits cover historically measured and probable iron ore totalling just over 12 million tonnes. The majority of the area has now been covered by ground magnetic surveys.

Historical drill cores have been logged and analysed chemically. A 3D model showing drifts, drill holes, iron ore and empty spaces, together with geology and chemistry has been produced. The material underwent post-processing in 2010 and will be used to evaluate Riddarhyttan's iron ore potential.

In December, ground magnetic surveys were conducted within Riddarhyttan 2. An evaluation of the results will show the potential of this area, which is just outside the industrially processed mining area.



Map of exploration permits in and around Dannemora.

The cores are logged and sampled. The results form the basis of the mineral resource estimation.

Photo: Mikael Eriksson

Exploration work.

Sustainable development

Dannemora Mineral shall operate with a high level of profitability, responsibility and expertise, thereby enabling it to be an attractive workplace and business partner. It is the Company's goal is to be a responsible and sustainable company in every way.

The Board has ultimate responsibility for Dannemora Mineral's sustainable development, while operational responsibility lies with Group management.

Overall policy

Dannemora Mineral's overall policy is to ensure safe, environmentally friendly and profitable development of the company's operations by constantly improving the working and external environments, energy consumption, personnel policy and product quality.

A total quality approach will permeate all activities, including the company's health, safety and environment initiatives. This policy does not apply exclusively to Dannemora Mineral and its employees, but also acts as a guiding principle for consultants, contractors and suppliers engaged by the company.

Environmental impacts

The mining industry contributes greatly to the industrial world's material needs and economic prosperity and development of mineral resources is a catalyst for economic growth.

Geological Survey of Sweden, SGU, has decided that the deposit in Dannemora is an area of national interest. This means that Dannemora is protected from other exploitation. SGU takes the view that the area has good potential for future mining, that the exploration is well documented and that the area is important for the supply of materials to Sweden and Europe.

Resumption of operations in Dannemora and the mining of other future deposits will have environmental impacts, mainly in the form of landscape changes, noise, and emissions into the air and water.

The Company has a stated environment policy of limiting the environmental impact of its activities as far as possible. This will be achieved by consistent environmental work which also enables the Company to meet existing and future legislation and requirements imposed by various stakeholders. The Company has established a number of self-monitoring programmes in order to closely monitor environmental impacts.

To minimise any lasting impact on the landscape, residual mining products will be returned to the mine. These will also be used as reinforcement material in the mine. The pumping operation to drain the mine was completed in February 2010, when the mine had been drained from the 310 metre level to the 470 metre level. A sedimentation plant was built to deal with the volume of water being pumped out of the mine. A programme to ensure proper environmental control of the plant was approved by the County Administrative Board and an assessment has been made under the monitoring programme.

A permanent sedimentation plant has been built to deal with the natural inflow of water into the mine, which is about 10 litres per minute.

A chemical system has been produced to check what chemicals are present in the plant and in what quantities they occur. Dannemora is required to report these findings to the authorities.

Self-monitoring programme for noise, vibration, dust and water

On its own initiative, Dannemora has developed a programme for self-monitoring of noise, vibration, dust and water in connection with test mining. All measures under the self-monitoring programme have been implemented and reported to the County Administrative Board.

With the start of production, the voluntary system moves to a permanent monitoring programme as required by the Environmental Court. The modifications in the permanent programme include a requirement for Dannemora to be responsible for controlling noise, vibration, dust and water.

Continuous noise measurements have been made in the area of operation. A new access road to the industrial area has been built, which will reduce heavy traffic for the community and residents. An action programme has also been created together with the contractor to minimise dust.

Vibration equipment has been installed at four locations, all of them private houses. All houses in the area have been inspected for future monitoring of any formation of cracks. A certified chimney sweep has pressure-tested the chimneys in use in the area.

The Company has produced a voluntary sampling program for monitoring water quality in watercourses around the production area. The sampling has been conducted continuously since 2005. The Company has also joined a water committee, which is an association of representatives from industry, the Swedish Environment Protection Agency and private individuals, with the aim of protecting the water environment in the area.

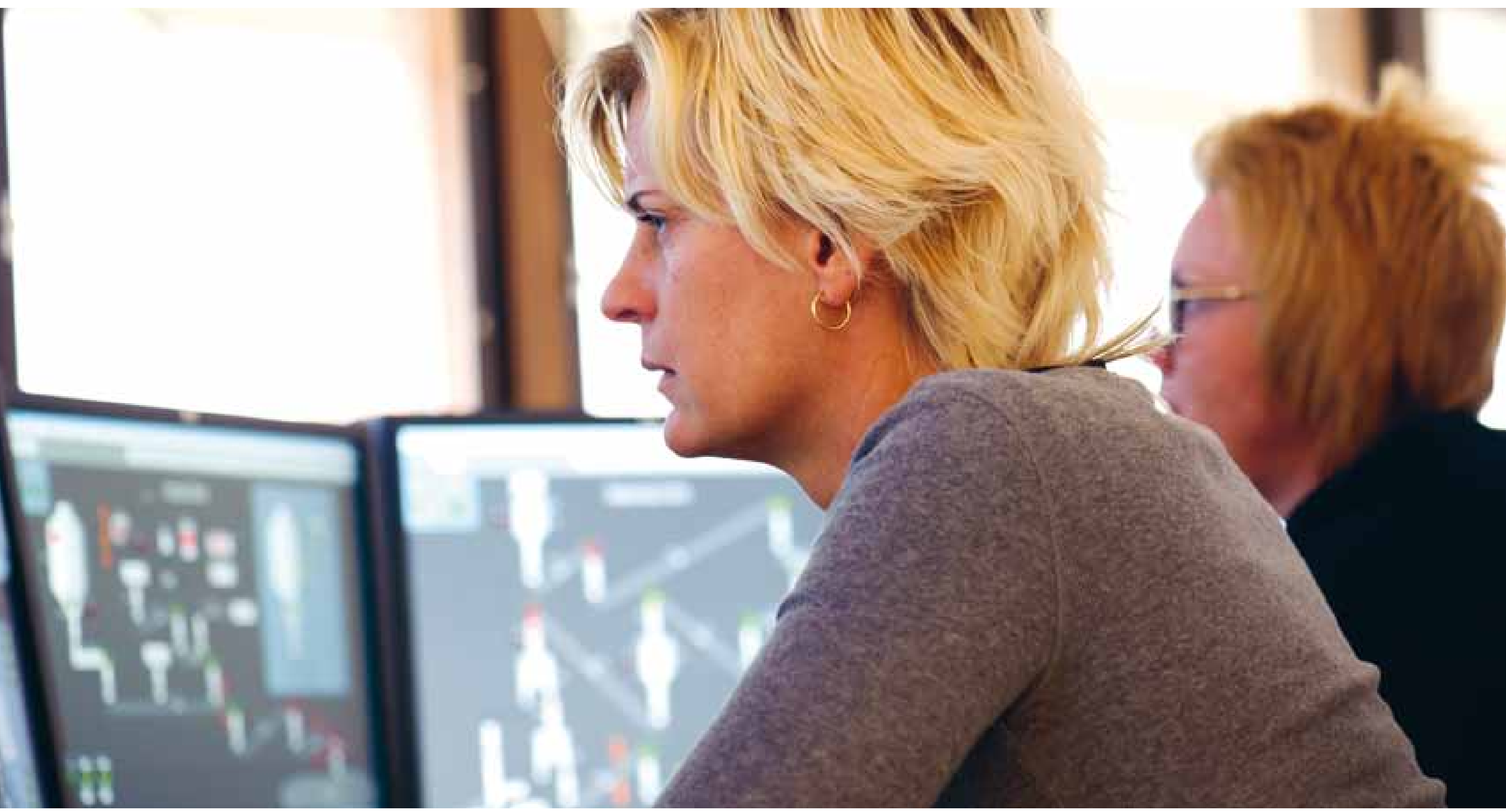
Photo: Mikael Eriksson

The old pump house at Storrymningen.

Outflow of the purified water from the sedimentation basin.

QEHS Ann-Sofie Wahlgren checks the new access control system for the descent.

Rock mechanic demonstrates survey instruments.



Jessica Mårtensson and Ylva Henriksson have an overview of production.

Ore transport by rail to Hargshamn minimises environmental impacts.

Energy consumption

Considerable amounts of energy will be expended in mining and processing the Dannemora ore bodies and the Company is giving serious consideration to future availability of energy. In order to minimise environmental impacts and reduce energy costs, a focused programme to create energy-efficient solutions is in progress. Dannemora Mineral has abandoned its original plans to transport the ore by truck. The ore will be transported to the port of shipment by rail instead. Renovation of the railway line between Örbyhus and Hargshamn was conducted in 2011.

Dannemora's iron ore consists of magnetite, which undergoes dry processing using magnetic separation. This consumes less energy than other processes.

Safe working environment

Safety work is a top priority in the Company. In 2011, a new employee was appointed to coordinate QEHS (quality, environment, health & safety) work and join Dannemora Magnetit's management group.

The Company's aim is to have the industry's safest facilities and ensure that no-one is harmed by any of Dannemora Mineral's activities. This will be achieved by systematic preventive safety and working environment measures, with the risk of accidents being reported, analysed and actioned.

During the year, Dannemora joined GRIA, which is the mining companies' joint system for incident reporting and incident management. The goal is to work proactively to prevent incidents and to share experiences with other mining companies.

The focus in 2011 was on safety underground. Work is in progress to produce a self-monitoring programme for the mine. The programme will become operational in 2012.

An 8-day training course in occupational health and safety was developed in 2011 in partnership with Brukshälsan. All new staff are required to take part in the course. Existing staff also underwent training after the end of the financial year. QEHS is responsible for the company-specific part of the training.

Risk analysis

As part of the preventive work in the process of achieving sustainable development, Dannemora Mineral has arranged a detailed risk analysis of its existing and future operations. A risk mapping process has been carried out in order to identify and rank the Company's key risks. Based on the results of the analysis, Dannemora has endeavoured to eliminate or minimise the serious risks which are controllable. Awareness of the risk picture has increased in the Company, as has the preparedness for managing the individual key risks.

A comprehensive risk inventory of the mine was carried out in 2011. Barriers and warning signs have been placed where needed. Procedures for continuous reporting of incidents have also been developed.

Health and fitness

The Company had a low level of sickness absence in 2011 at 0.4 percent of total working hours.

During the year, all new employees had a health examination, in accordance with the Company's health policy. An ergonomic review of all the Company's workplaces was also conducted.

Social aspects

The resumption of mining in Dannemora brings back a time-honoured industry to an area with a long tradition in iron. The actual mining will also create 120 new jobs, while sub-contractors, transport companies, social services, schools etc. will bring several hundred more jobs to the region. Several assignments were put out to local contractors during the year. Nine individuals from the local area are currently employees of the Company.

Quality

Dannemora Mineral works on the principle of total quality. Quality initiatives play a crucial role in iron ore operations and exploration, with constant improvement being a key aspiration. A programme to obtain environmental certification under ISO 9001:2000 has been initiated.

Personnel

Dannemora Mineral's future development is significantly dependent on the ability to recruit and retain experienced and highly qualified personnel. The Board and management work actively to ensure the Company is an attractive and well developed workplace, where the core values of trust, confidence, openness and dialogue work in tandem with personal commitment and personal responsibility.

Equality and diversity

Equality and diversity are important in achieving a dynamic and open organisation. As the mining industry is traditionally male-dominated, it is difficult to achieve a neutral gender distribution. Nevertheless, this is the Company's stated goal and it will be taken into consideration during future recruitment. The target is for at least one-third to be women.

The number of employees in Dannemora Mineral AB was 51 at the end of 2011. Fifteen of the employees are women, which means that female representation is now 30 percent.

Organisation

The Company has a modern flat corporate structure, with a high level of individual responsibility and authority. The Company will have broader areas of responsibility and expertise than traditional mining operations, and other differences in certain functions.

Property management

In addition to industrial property, Dannemora also owns and manages 13 multi-family houses. The occupancy rate was high during 2011 and ended the year on 98%. From 1 January 2012, technical management will be taken care of in-house.

In 2008, the Company purchased a 400-hectare area of land from the municipality of Östhammar, which was needed for operations at the Dannemora mine. The transfer included rental property and a number of buildings and installations (ore processing plant, the mine head frame, workshops, warehouses, office buildings and the mine office). Many of the buildings are heritage buildings. There is also a newer office annex/laboratory leading to the head frame, which will be used in the operations.

The transfer included 13 residential properties comprising 64 rental apartments and a youth hostel. The properties are so close to the mining area that the Company considered it reasonable to assume that it has control of them.

Rent negotiations for 2012 resulted in an overall increase of 1.8 percent, which is the same as for public property in the neighbourhood.

Renovation of a larger number of storehouses than previously planned was started during the year. These will mainly be used as workshops.

New Managing Director

The subsidiary Dannemora Förvaltnings AB manages the Group's land and properties. In 2011, Jan Sundberg was appointed the new Managing Director of Dannemora Förvaltnings AB.

Management in-house

From 1 January 2012, technical management of the property portfolio will be taken care of in-house.

FINANCIAL 11 STATEMENTS

C O N T E N T S

Board of Directors' Report

The Board and CEO of Dannemora Mineral AB (publ), company reg. no. 556678-3329, herewith submit the annual report for the financial year 1 January – 31 December 2011.

OPERATIONS – GENERAL INFORMATION

Dannemora Mineral AB is a mining and exploration company whose goal is to operate and develop the Dannemora iron ore mine, and to do so with good long-term profitability and under environmentally sustainable conditions.

The goal is also to gradually increase the mineral reserves in the Dannemora field by continuous exploration and to gradually develop measured or new deposits of iron ore in other parts of Sweden.

The Dannemora Mineral Group comprises the Parent Company Dannemora Mineral AB and its wholly-owned subsidiaries Dannemora Magnetit AB, which is responsible for operations at the Dannemora mine and the Group's exploration activities, and Dannemora Förvaltnings AB, which is responsible for the property portfolio. The Group also includes the dormant company Dannemora Prospektering AB.

Dannemora Mineral AB's class B shares are listed on OMX First North Stockholm and Oslo Axess.

OPERATIONS DURING THE FINANCIAL YEAR

Parent Company

In March, the Company completed a bond issue of USD 120 million and, in the same month, a private placement of SEK 150 million. These gave the green light to time-critical investments which will enable Dannemora Mineral to meet its goal of an operational start-up for the sorting plant in April 2012. The secured five-year bond issue is not subject to amortisation and has call options after two, three or four years at prices of 106, 104 and 102 percent. The coupon rate is 11.75 percent.

Under a mandate granted at an extraordinary general meeting in February, the Board decided to implement a private placement after the close of the stock exchange on 24 March 2011. The issue, which mainly targeted Norwegian and other foreign investors, The share issue raised SEK 150 million before issue expenses. A total of 2,000,000 class B shares were subscribed for at a price of SEK 75.00 per share.

Dannemora Mineral has decided to apply to have its Class B shares listed on the Stockholm Stock Exchange's main list at an appropriate time after the start of operations in the Dannemora iron ore mine. This will mean a listing change from First North, where the Company's shares have been listed since May 2007.

At the annual general meeting on 3 May, it was decided that the Board would consist of seven members. Nils Bernhard, Lennart Falk, Nils Sandstedt, Christer Lindberg and Niklas Nordström were re-elected to the Board, and Stefan Månsson and Robert Eek were newly elected. Lars-Göran Ohlsson had declined re-election to the Board. Nils Bernhard was re-elected as Chairman of the Board.

The Dannemora iron ore mine

Customers and supply contracts

Dannemora Mineral will primarily focus on selling its iron ore products directly to the steel producing industry in Europe.

During the year, the subsidiary Dannemora Magnetit signed long-term supply contracts with Thyssen-Krupp Steel/HKM and Salzgitter (up to 300,000 tonnes per annum, each) and Stemcor (up to 600,000 tonnes per annum). Efforts to increase the number of long-term contracts will continue, with a continuing focus on the European market.

Investments and production preparations

To date, the investment projects have progressed without disruption.

In autumn 2011, it was decided to make additional investments of SEK 120 million in new, safer and more efficient ramp systems.

Infrastructure

Projects relating to the railway renovation, access and industrial roads and the terminal for loading rail cars were completed during the year.

The first 14 rail cars that will carry iron ore between Dannemora and Hargshamn have been delivered from the manufacturer in Poland.

Underground work

Ramp placement, pre-development work and production drilling are in progress.

The first machines in Dannemora Mineral's mobile machinery underground have been delivered from Sandvik Mining and Construction Sweden AB.

Dannemora Mineral has signed an agreement with EPC Sverige which covers the supply of all explosives, as well as charging and firing in the Dannemora iron ore mine. EPC will act as manager of the explosives. The company will also be responsible for the explosives magazine and providing the equipment for production and preparation charging.

Mine ventilation

The construction work for mine ventilation is in progress and the first ventilation shaft with a heating system has been completed.

Hoisting

Construction work in the head frame and shaft is in progress

Port
During the year, contracts were signed with Green Cargo AB (ore train operator) and NACCO (rail car leasing).

Recruitment
Recruitment of the first third of the upcoming operating organisation was completed and training started on 1 December.

Mining exploration
The result of the updated mineral reserve for the Dannemora iron ore mine in December 2011 was 35.1 (28.2) million tonnes, which is an increase of 6.9 million tonnes The iron content in the crude ore is 35.3 (36.2) percent. The entire mineral reserve is classified as probable in accordance with national and international standards based on the Australian JORC Code.

The basis for the new estimate is the mineral resource estimate reported in August 2011 and includes both the newly drilled Norrnäs 3 mineralisation, and a change in the cut-off level to 20 percent iron.

The previous estimates were based on a cut-off level of 30 percent iron. The recently reported mineral reserve estimate was conducted by Tommy Persson and Daniel Eklund of Dannemora Magnetit, under the supervision of Mining Engineering Thomas Lindholm, GeoVista, who is an independent consultant and Qualified Person.

Other activities

Exploration permits in Bergslagen
Planning of the future development of Riddarhyttan and other fields continued during the year. Dannemora Mineral has applied for an extension of the exploration permits for parts of the Riddarhyttan field by a further three years.

Exploration permits and exploitation concession
In addition to an exploitation concession for the Dannemora field covering 176.8 hectares, Dannemora Mineral had 18 exploration permits at the end of the year, covering an area of 7,530 hectares. Six exploration permits expired during the year and two permits were extended. All the exploration permits and the exploitation concession for the Dannemora field are wholly owned by the Parent Company.

Property management
In addition to industrial property, the subsidiary Dannemora Förvaltnings also owns and manages 13 multi-family houses. The occupancy rate during the year was high. During the year, Jan Sundberg was appointed as the new managing director of Dannemora Förvaltnings, and with effect from 1 January 2012, all property management will be handled by the company.

Results and financial position

Net sales and earnings
The Group's net sales during the financial year amounted to SEK 3.1 (44.9) million. and its profit/loss after net financial items was SEK -118.2 (-50.9) million. The Parent Company's net sales for the year amounted to SEK 5.8 (4.3) million, and its profit/loss after net financial items was SEK -156.2 (-9.9) million.

Unrealised currency losses of SEK -77.4 (-) million were charged to profit/loss after financial items for the Group and Parent Company.

Investments
The Group's investments during the year amounted to SEK 486.9 (46.2) million, while the Parent Company's investments were SEK 6.8 (4.2) million.

Liquidity and financing
The Group's cash & cash equivalents at the end of the year were SEK 628.8 (212.1) million, while the Parent Company's cash & cash equivalents ended the year on SEK 429.7 (205.5) million.

The Group's interest-bearing liabilities at 31 December 2011 totalled 800.0 million and related to the bond issue of USD 120 million which the Parent Company completed in March 2011. The five-year secured bond issue is not subject to amortisation and has call options after two, three or four years at prices of 106, 104 and 102 percent. The coupon rate is 11.75 percent.

In connection with the bond issue, the Board decided to implement a private placement after the close of the stock exchange on 24 March 2011. The placement, which mainly targeted Norwegian and other foreign investors, raised SEK 150 million before issue expenses. A total of 2,000,000 class B shares were subscribed for at a price of SEK 75.00 per share.

After the share issue, the number of shares in Dannemora Mineral was 13.860,400 and share capital amounted to SEK 2,217,664.

On 15 March 2012, after the reporting date, the Parent Company implemented a private placement targeting Norwegian and other foreign investors, which raised SEK 103.5 million before issue expenses. A total of 1,500,000 class B shares were subscribed for at a price of SEK 69.00 per share. After the share issue, the number of shares in Dannemora Mineral was 15,360,400 and share capital amounted to SEK 2,457,664.

Employees
The average number of employees during the financial year was 20 (14) in the Group and 5 (3) in the Parent Company.

Cont'd

At the end of the financial year, the Company had outstanding share option schemes for the Parent Company's CEO and other key personnel in the Group. The option scheme comprises 75,000 warrants and 85,000 share options. Each warrant entitles the holder to subscribe for one new B share, while each share option entitles the holder to acquire one new B share. At the end of the subscription period (15 January 2012), no shares had been subscribed for under the share option scheme.

CORPORATE GOVERNANCE

On 10 May 2010, the Board of Dannemora Mineral decided to report the Company's corporate governance in accordance with the Swedish Code of Corporate Governance (the Code). As one of the Company's directors has been elected as chairman of the nomination committee, Dannemora Mineral will report a derogation from section 2.4 of the Code. There are no other derogations from the Code.

The corporate governance report has been reviewed by the Company's auditors. Their opinions are an integral part of the audit report.

Share information

The number of shares in Dannemora Mineral after the new share issue on 15 March 2012 was 15,360,400, divided into 1,200,000 class A shares and 14,160,400 class B shares. Each share has a par value of SEK 0.16. Class A shares carry 10 votes per share, while B shares carry one vote per share. All shares carry equal entitlement to a share of the company's assets and earnings. The company's share capital totals SEK 2,457,664.

Under the articles of association, the company must have a share capital of at least SEK 1,600,000 and no more than SEK 6,400,000. This corresponds to a minimum of 10,000,000 shares and a maximum of 40,000,000 shares.

At the annual general meeting of Dannemora Mineral on 3 May 2011, it was decided to grant the Board a mandate to issue up to 1.5 million class B shares with or without preferential rights for shareholders. With the private placement in March 2012, the mandate has been fully utilised.

There are no rules in Swedish law or Dannemora Mineral's articles of association that would limit the ability to transfer shares in Dannemora. The Company is not aware of any agreements between shareholders which might result in restrictions on the right to transfer shares. There is no agreement to which the Company is a party that would be affected, amended or cease to apply if control of the Company changed as a result of a public offer.

Annual General Meeting

The general meeting of shareholders, which is the Company's highest decision-making body, gives shareholders the opportunity to exercise their influence.

Dannemora Mineral's general meeting is held annually and is open to all shareholders. The annual general meeting of shareholders makes decisions on the election of Board members, Chairman of the Board and auditor, the adoption of the income statement and balance sheet, allocation of the Company's profit or loss, discharge of Board members and the CEO from liability and fixing of Board and auditor fees.

The 2011 Annual General Meeting was held on 3 May in Stockholm. The meeting voted to re-elect Nils Bernhard, Nils Sandstedt, Lennart Falk, Christer Lindberg and Niklas Nordström to the Board, and to elect Stefan Mansson, Robert Eek as new Board members. Lars-Göran Ohlsson had decided not to seek re-election to the Board. Nils Bernhard was re-elected as Chairman of the Board.

The meeting's other decisions included:

- Board fees of SEK 300,000 to the Chairman, SEK 200,000 to the Deputy Chairman and SEK 100,000 to each of the other Board members
- Audit fees to be paid on approved account.
- Adoption of the consolidated income statement and statement of financial position and the Parent Company's income statement and balance sheet
- The discharging of members of the Board and the CEO from personal liability

Nomination Committee

The AGM decides on principles for the appointment of the nomination committee and its work. In accordance with the nomination committee instructions adopted by the Annual General Meeting, the committee shall consist of one representative from each of the four largest shareholders (in votes) and the chairman, who acts as the convener. If the chairman is one of the four principal shareholders, the nomination committee shall consist of a representative from each of the five largest shareholders (in votes), including the chairman.

The task of the nomination committee to prepare proposals for the AGM. The proposals relate to the election and composition of Board, the Chairman of the Board, fees paid to individual Board members and auditors, and guidelines for the appointment of a nomination committee prior to the next AGM.

The nomination committee consists of Lennart Falk (chairman), Nils Bernhard, Alexander Shaps (representing Shaps Capital AB), Per-Uno Sandberg and Michael Rosenlew (representing Mikaros AB). The composition has been published on the Company's website, which also provides information on the procedure for submission of proposals to the nomination committee by shareholders.

The nomination committee met on three occasions. The focus of the committee's work has been to define an appropriate expertise mix for the Board and to identify individuals who might complement the Board's expertise .

Board of Directors

Under the Company's articles of association, the Dannemora Mineral Board shall consist of no fewer than three and no more than seven members elected by the Annual General Meeting to serve until the next AGM. The Chairman is appointed by the AGM.

Composition of the Board

Until the 2011 AGM, the Dannemora Mineral Board consisted of six members, with no deputies. After the AGM, there were seven members, with no deputies. The members of the Board are presented on page 14. Detailed information about attendance at meetings and independence/non-independence is shown in the table below.

The Board of Dannemora Mineral has the expertise and experience required to support, monitor and control activities in a mining and exploration company. Board members' areas of expertise include geology, mining, mineral dressing, licence management, corporate development, PR and financing.

Responsibility of the Board and Chairman

The Board is appointed by Dannemora Mineral's owner to have ultimate responsibility for the organisation and management of the Company's affairs.

At the inaugural Board meeting following the AGM, the Board adopts rules of procedure which regulate in detail its work and responsibility, and specific duties of the Chairman. The division of work between the Board and the CEO is defined in the written set of instructions for the CEO which is adopted by the Board at the same meeting. The Board has not appointed a special remuneration or audit committee or any other permanent working committee.

The Chairman leads the Board's work and monitors the Company's operations by maintaining continuous dialogue with its CEO. The Board receives monthly reports and at Board meetings it is provided with information about the Company's economic and financial situation. Prior to each Board meeting, the Chairman and CEO go through the issues to be considered in the meeting. Support material is sent to Board members approx. one week before each Board meeting.

The Board's work in 2011

Prior to each calendar year, the Board plans a number of regular Board meetings. Before 2011, seven regular Board meetings were scheduled. In addition to reviewing the Company's operations, these meetings dealt with matters relating to financial reporting, strategy and budget. The Company's CEO and CFO (Board Secretary) attend the regular Board meetings. Other members of Group management attend meetings in a reporting capacity.

In addition to the seven regular Board meetings, eight additional meetings were held. These meetings dealt mainly with the Company's financing in the form of new share issue and loan financing decisions.

Board – composition and attendance in 2011

Member	Elected	Fees	Meetings attended	Independent [1]	Independent [2]	
Nils Bernhard, Chairman	2005	300,000	14/15	Yes	No [3]	
Nils Sandstedt, Deputy Chairman	2006	200,000	15/15	Yes	Yes	
Lennart Falk, Director	2005	100,000	13/15	No [4]	No [5]	
Christer Lindberg, Director	2006	100,000	15/15	Yes	Yes	
Niklas Nordström, Director	2007	100,000	10/15	Yes	Yes	
Lars-Göran Ohlsson, Director	2006	100,000	6/9	No [6]	Yes	Attendance to 3/5/2011
Stefan Månsson	2011	100,000	6/6	Yes	Yes	Attendance from 3/5/2011
Robert Eek	2011	100,000	6/6	Yes	Yes	Attendance from 3/5/2011

[1] Independent of the company and its management as defined in the Swedish Code of Corporate Governance
[2] Independent of major shareholders as defined in the Swedish Code of Corporate Governance
[3] Controls 25% of the votes in the Company at 31/12/2011
[4] Deputy CEO and Managing Director of subsidiary until 31/12/2008
[5] Controls 25% of the votes in the Company at 31/12/2011
[6] President and CEO until 31/03/2008

Cont'd

Evaluation of the Board's work

The Chairman ensures the Board and its work is evaluated annually.

Remuneration of key management personnel

The Board has not established a remuneration committee. The Board decides on the CEO's remuneration and other terms of employment. The Chairman approves proposals from the CEO regarding key management personnel's remuneration and other terms of employment.

The CEO and other key management personnel only receive fixed pay. No termination benefits have been agreed over and above the normal period of notice of six months.

Salaries and remuneration for the financial year 2011 are reported in note 8 on page 68.

The Annual General Meeting on 3 May 2011 adopted guidelines for remuneration to senior executives as set out below:

The guidelines are aimed at ensuring that the Dannemora Mineral AB Group is able to offer market-based and competitive remuneration that will attract and retain qualified employees. Remuneration of Group management should be a well-balanced compensation and benefits arrangement that reflects the individual's performance and responsibility and the Group's financial performance.

The fixed salary, which is individual and differentiated on the basis of the individual's responsibility and performance, is determined according to market principles and is revised annually.

There shall also be an opportunity to receive variable pay. This will be conditional individuals meeting annually defined targets relating to the Company's results and measurable goals in the individual's area of responsibility. Variable pay shall amount to a maximum of 30 percent of the fixed annual salary.

Group management's other benefits shall correspond to what is considered reasonable in the context of market practice. The period of notice shall be a maximum of six months. No termination benefits shall be paid on termination of employment.

The Board shall be entitled to derogate from the guidelines adopted by the AGM in an individual case if there are special reasons to do so.

Key management personnel covered by the proposal comprise the CEO and other members of Group management.

A proposal for adoption of guidelines for key management personnel has been submitted prior to the AGM on 8 May 2012. The proposed guidelines are unchanged from those agreed at the 2011 AGM.

Group management

The CEO is responsible for the day-to-day management of the Company and Group in accordance with a set of CEO instructions and guidelines drawn up by the Board. The CEO leads Group management's work. In addition to the CEO, Group management comprises the Managing Director of the subsidiary Dannemora Magnetit, who is responsible for mining operations, the Marketing and Logistics Manager, the CFO and the HR and Communications Manager. A presentation of Group management can be found on page 15.

Group management is preparing proposals for a business plan and budget which the CEO will present to the Board for approval. Group Management holds regular meetings which include a review of operations.

Internal controls

The Board has overall responsibility for ensuring Dannemora Mineral has effective internal controls. The CEO is responsible for ensuring there are good internal controls and formalised procedures which guarantee that external financial reporting is reliable and conducted in accordance with generally accepted accounting principles, applicable laws and other requirements for listed companies.

The Company has a simple legal and operational structure in which the Board continually monitors the Company's internal controls in connection with external and internal financial reporting. Consequently, the Board has chosen not to establish a special function for internal control.

The finance function at the Parent Company is responsible for risk analysis with regard to financial reporting and, in this context, carries out regular control activities for the purpose of managing known risks and identifying and correcting any errors in the financial reporting.

Auditors

The auditor's task is to examine the Company's annual financial statements and accounting and to review the management of the Company by the Board and CEO. After each financial year, the auditors submit an audit report to the annual general meeting.

Dannemora Mineral's auditor is Öhrlings PricewaterhouseCoopers. The Chief Auditor is Annika Wedin, who is an authorised public accountant. Öhrlings PricewaterhouseCoopers are the appointed auditors of the Company until the end of the 2013 AGM.

ENVIRONMENT

Dannemora Mineral's overall policy is to ensure safe, environmentally friendly and profitable development of the company's operations by constantly improving the working and external environments, energy consumption, personnel policy and product quality.

A total quality approach will permeate all activities, including the company's health, safety and environment initiatives.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

Dannemora Mineral notified the Mining Inspectorate of the start of mining operations from 13 January 2012. The notification relates to underground work in the Dannemora iron ore mine.

A 10-year contract for terminal services has been signed with Hargs Hamn AB.

In March 2012, Dannemora Mineral completed a private placement which brought proceeds of SEK 103.5 million before issue expenses. A total of 1,500,000 class B shares were subscribed for. The purpose of the share issue was to manage the changes in the company's cash flow caused by an increased volume of investments and working capital changes.

Trial operation of the sorting plant was carried out during March 2012.

FUTURE PROSPECTS

It is Dannemora Mineral's assessment that the commencement of continuous operation of the sorting plant in the Dannemora iron ore mine will be in early April 2012. It is also expected that full annual production of 1,500,000 tonnes of finished products will be achieved in March 2013.

In view of the delivery contracts that have been entered into, the Company estimates that it will have a market for the majority of its production in the next few years.

RISKS AND UNCERTAINTIES

If the uncertainty in the financial markets and the economic slowdown intensify in Europe, this could impair conditions for the Company's customers, which in turn could adversely affect Dannemora Mineral's operations.

In order to reduce foreign exchange risk in interest payments and the repayment of the Company's bond issue of USD 120 million, the Company will gradually build up US dollar assets from the revenue generated from its activities.

PROPOSED DISTRIBUTION OF EARNINGS

The following amounts are at the disposal of the annual general meeting (amounts in SEK):

Share premium reserve	631 039 823 kr
Retained earnings	-156 539 860 kr
Profit/loss for the year	-156 201 781 kr
	318 298 182 kr

The Board proposes that SEK 318,298,182 be carried forward.

RESULTS AND FINANCIAL POSITION

The results of the Company's and the Group's operations and their financial position at the end of the year can be found in the income statements, balance sheets, additional information and notes which follow.

SEK thousands

	Note	**2011**	2010
Net sales	5	**3,131**	44,863
Other external costs	7	**-32,059**	-83,314
Personnel expenses	8	**-20,988**	-12,357
Depreciation, amortisation and impairment of assets	14, 15	**-3,081**	-1,130
Operating profit/loss		**-52,997**	-51,938
Finance income	9	**20,035**	1,026
Finance costs	9	**-85,198**	-27
Net financial items	9	**-65,163**	999
Profit/loss before tax		**-118,160**	-50,939
Income tax	11	**-16**	-
Profit/loss for the year		**-118,176**	-50,939
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**-118,176**	-50,939
Profit/loss for the year and total comprehensive income attributable to:			
Owners of the Parent		**-118,176**	-50,939
Earnings per share, based on profit/loss attributable to owners of the parent during the year (expressed in SEK)			
Earnings per share before dilution	12	**-8.82**	-4.76
Earnings per share after dilution		**-8.70**	-4.68

The notes on pages 64 to 74 are an integral part of these consolidated financial statements.

SEK thousands

	Note	**2011**	2010
ASSETS			
Non-current assets			
Intangible assets	14		
Capitalised expenditure on exploration and evaluation assets		**40,701**	38,166
Licences		**1,621**	-
Total intangible assets		**42,322**	38,166
Property, plant & equipment	15		
Land and buildings		**17,156**	16,285
Plant and machinery		**1,129**	-
Equipment, tools and fixtures & fittings		**1,125**	719
Work in progress		**606,229**	129,424
Total property, plant & equipment		**625,639**	146,428
Financial assets	16	**2,123**	2,121
Total financial assets		**2,123**	2,121
Total non-current assets		**670,084**	186,715
Current assets			
Products in process		**8,130**	-
Trade receivables	19	**121**	10,857
Other receivables	20	**19,164**	9,514
Prepayments and accrued income	21	**11,037**	260
Cash & cash equivalents	22	**628,836**	212,134
Total current assets		**667,288**	232,765
TOTAL ASSETS		**1,337,372**	419,480

The notes on pages 64 to 74 are an integral part of these consolidated financial statements.

SEK thousands

	Note	**2011**	2010
EQUITY			
Equity attributable to owners of Parent	23		
Share capital		**2,218**	1,898
Other paid-in capital		**632,118**	487,740
Retained earnings, incl. comprehensive income for the year		**-228,127**	-109,951
Total equity		**406,210**	379,687
LIABILITIES			
Non-current liabilities			
Borrowing	25	**800,039**	13,000
Total non-current liabilities		**800,039**	13,000
Current liabilities			
Trade payables		**69,833**	17,909
Other liabilities	27	**15,619**	633
Other provisions	26	**242**	242
Accruals and deferred income	28	**45,429**	8,009
Total current liabilities		**131,123**	26,793
TOTAL EQUITY AND LIABILITIES		**1,337,372**	419,480

The notes on pages 64 to 74 are an integral part of these consolidated financial statements.

SEK thousands	Note	Share capital	Other paid-in capital	Retained earnings	Total equity
			Attributable to owners of Parent		
Opening balance, 1 Jan 2010		**1,242**	**242,715**	**-59,012**	**184,945**
Comprehensive income					
Profit/loss for the year				-50,939	-50,939
Total comprehensive income		**-**	-	**-50,939**	**-50,939**
Owner transactions					
New share issue	23	656	257,087	–	257,743
Share issue expenses	23	**–**	-12,062	–	-12,062
Total owner transactions		**656**	**245,025**	**-**	**245,681**
Closing balance, 31 Dec 2010		**1,898**	**487,740**	**-109,951**	**379,687**

SEK thousands	Note	Share capital	Other paid-in capital	Retained earnings	Total equity
Opening balance, 1 Jan 2011		**1,898**	**487,740**	**-109,951**	**379,687**
Comprehensive income					
Profit/loss for the year				-118,176	-118,176
Total comprehensive income		**-**	**-**	**-118,176**	**-118,176**
Owner transactions					
New share issue	23	320	149,680		150,000
Share issue expenses	23		-5,302		-5,302
Total owner transactions		**320**	**144,378**	**-**	**144,698**
Closing balance, 31 Dec 2011		**2,218**	**632,118**	**-228,127**	**406,210**

The notes on pages 64 to 74 are an integral part of these consolidated financial statements.

SEK thousands

	Note	2011	2010
Operating activities			
Operating profit/loss before financial items		**-52,997**	-51,938
Depreciation of property, plant & equipment		**637**	535
Impairment of intangible assets	14	**2,444**	595
Interest received		**12,443**	1,026
Interest paid		**-227**	-27
Other non-cash items		**1**	-3
Cash flow from operating activities before changes in working capital		**-37,699**	-49,812
Cash flow from changes in working capital			
Increase/decrease in inventories		**-8,130**	-
Increase/decrease in current receivables		**-9,678**	-18,901
Increase/decrease in trade payables		**-10,619**	6,811
Increase/decrease in other current liabilities		**43,225**	515
Total change in working capital		**14,798**	-11,575
Cash flow from operating activities		**-22,901**	-61,387
Investing activities			
Investments in intangible assets		**-6,151**	-4,326
Investments in property, plant & equipment		**-421,574**	-30,485
Change in investments in financial assets		**-2,536**	2,203
Cash flow from investing activities		**-430,261**	-32,608
Financing activities			
New share issue		**144,698**	245,681
Proceeds from borrowings		**715,041**	-
Cash flow from financing activities		**859,739**	245,681
CASH FLOW FOR THE YEAR		**406,577**	151,686
Cash & cash equivalents at beginning of year		**212,134**	60,448
Exchange differences		**10,125**	-
Cash & cash equivalents at end of year		**628,836**	212,134

The notes on pages 64 to 74 are an integral part of these consolidated financial statements.

SEK thousands

	Note	2011	2010
Net sales	5, 6	**5,817**	4,293
Other external costs	7	**-12,569**	-9,473
Personnel expenses	8	**-10,380**	-5,741
Depreciation, amortisation and impairment of assets	14, 15	**-2,615**	-688
Operating profit/loss		**-19,747**	-11,609
Other interest and similar income	10	**25,229**	1,690
Interest and similar expense	10	**-161,683**	-1
Net financial items	10	**-136,454**	1,689
Profit/loss after financial items		**-156,201**	-9,920
Tax on profit/loss for the year	11	**-**	-
Profit/loss for the year		**-156,201**	-9,920
Statement of Comprehensive Income, Parent			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**-156,201**	-9,920

The notes on pages 64 to 74 are an integral part of these consolidated financial statements.

SEK thousands

	Note	**2011**	2010
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure on exploration			
and evaluation assets	14	**21,014**	18,545
Licences	14	**1,232**	-
Total intangible assets		**22,246**	18,545
Property, plant & equipment			
Equipment, tools and fixtures & fittings	15	**529**	251
Total property, plant & equipment		**529**	251
Financial assets			
Shares in Group companies	17	**300**	300
Other non-current receivables	16	**123**	121
Total financial assets		**423**	421
Total non-current assets		**23,198**	19,217
Current assets			
Current receivables			
Receivables from Group companies	20	**686,663**	157,084
Other receivables	20	**1,374**	695
Prepayments and accrued income	21	**10,728**	232
Total current receivables		**698,765**	158,011
Cash & cash equivalents	22	**429,748**	205,471
Total current assets		**1,128,513**	363,482
TOTAL ASSETS		**1,151,711**	382,699

The notes on pages 64 to 74 are an integral part of these consolidated financial statements.

SEK thousands

	Note	2011	2010
EQUITY, PROVISIONS AND LIABILITIES			
Equity	23		
Restricted equity			
Share capital		**2,218**	1,898
Statutory reserve		**1,078**	1,078
Total restricted equity		**3,296**	2,976
Unrestricted equity			
Share premium reserve		**631,040**	486,662
Retained earnings		**-156,540**	-99,969
Profit/loss for the year		**-156,201**	-9,920
Total unrestricted equity		**318,299**	376,773
Total equity		**321,595**	379,749
Non-current liabilities			
Borrowing	25	**799,687**	-
Total non-current liabilities		**799,687**	-
Current liabilities			
Trade payables		**1,872**	1,599
Liabilities to Group companies	27	**91**	164
Other liabilities	27	**706**	212
Accruals and deferred income	28	**27,760**	975
Total current liabilities		**30,429**	2,950
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**1,151,711**	382,699
Pledged assets	29	**100,812**	120
Contingent liabilities	30	**13,000**	13,000

The notes on pages 64 to 74 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY, PARENT

SEK thousands	Restricted equity		Unrestricted equity			
	Share capital	**Statutory reserve**	**Share premium reserve**	**Retained earnings**	**Profit/ loss for the year**	**Total equity**
Opening balance, 1 Jan 2010	**1,242**	**1,078**	**241,637**	**-50,618**	**-8,358**	**184,981**
Distribution of earnings as adopted by						
the annual general meeting:						
Carried forward				-8,358	8,358	-
New share issue	656		257,087			257,743
Share issue expenses			-12,062			-12,062
Group contributions received				586		586
Group contributions paid				-41,579		-41,579
Profit/loss for the year					-9,920	-9,920
Closing balance, 31 Dec 2010	**1,898**	**1,078**	**486,662**	**-99,969**	**-9,920**	**379,749**
Opening balance, 1 Jan 2011	**1,898**	**1,078**	**486,662**	**-99,969**	**-9,920**	**379,749**
Distribution of earnings as adopted by						
the annual general meeting:						
Carried forward				-9,920	9,920	-
New share issue	320		149,680			150,000
Share issue expenses			-5,302			-5,302
Group contributions received				1		1
Group contributions paid				-46,652		-46,652
Profit/loss for the year					-156,201	-156,201
Closing balance, 31 Dec 2011	**2,218**	**1,078**	**631,040**	**-156,540**	**-156,201**	**321,595**

The notes on pages 64 to 74 are an integral part of these consolidated financial statements.

SEK thousands

	Note	2011	2010
Operating activities			
Operating profit/loss before financial items		**-19,747**	-11,609
Depreciation of property, plant & equipment		**171**	93
Impairment of intangible assets	14	**2,444**	595
Dividend received		**1**	-
Interest received		**17,609**	1,690
Interest paid		**-49,841**	-1
Other non-cash items		-	-4
Cash flow from operating activities before changes in working capital		**-49,363**	-9,236
Cash flow from changes in working capital			
Changes in other current receivables		**-540,726**	-42,438
Increase/decrease in trade payables		**273**	364
Increase/decrease in other current liabilities		**363**	94
Total change in working capital		**-540,090**	-41,980
Cash flow from operating activities		**-589,453**	-51,216
Investing activities			
Investments in intangible assets		**-6,145**	- 3,795
Investments in property, plant & equipment		**-449**	-199
Change in investments in financial assets		**-2,536**	10
Cash flow from investing activities		**-9,130**	-3,984
Financing activities			
New share issue		**144,690**	245,681
Proceeds from borrowings		**714,688**	-
Group contributions received/paid		**-46,643**	-40,992
Cash flow from financing activities		**812,735**	204,689
CASH FLOW FOR THE YEAR		**214,152**	149,489
Cash & cash equivalents at beginning of year		**205,471**	55,982
Exchange differences		**10,125**	-
Cash & cash equivalents at end of year		**429,748**	205,471

The notes on pages 64 to 74 are an integral part of these consolidated financial statements.

NOTE 1 GENERAL INFORMATION

Dannemora Mineral AB is a mining and exploration company. The Company's primary goal is to recommence mining operations in the Dannemora iron ore mine. The Company also intends to engage 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 Group 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 Dannemora Förvaltnings AB, which is responsible for the property portfolio. A third wholly-owned subsidiary, Dannemora Prospektering AB has been dormant since 2009.

The Parent Company is a Swedish public limited liability company with its registered office in the municipality of Östhammar. The visiting address of the Head Office is Svärdvägen 13, 182 33 Danderyd.

The Board approved the consolidated annual financial statements and the Parent Company's annual financial statements for publication on 29 March 2012.

All amounts are reported in SEK thousands unless otherwise stated. Information in parentheses relates to the previous year.

NOTE 2 SUMMARY OF THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

Dannemora Mineral AB Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act.

The consolidated annual financial statements have been prepared in accordance with the cost method. The most important accounting policies applied in preparing the consolidated financial statements are described below. These policies have been applied consistently for all presented years unless otherwise stated.

The Parent Company's annual financial statements have been prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. A description of cases where the Parent Company applies different accounting policies from those applied by the Group can be found at the end of this note.

Preparation of reports in accordance with IFRS requires use of a number of significant accounting estimates. In addition, management is required to make certain judgements when applying the Group's accounting policies. Information about areas which are complex or involve a high proportion of assumptions and estimates, or areas where accounting estimates are of key significance to the consolidated financial statements, can be found in note 4.

None of the IFRS or IFRIC interpretations that are mandatory for financial periods beginning on or after 1 January 2011 has had a significant impact on the Group.

During preparation of the consolidated annual financial statements at 31 December 2011, there were a number of standards, amendments and interpretations of existing standards which had not yet come into force. Dannemora Mineral did not opt for early application of these standards, amendments and interpretations. There follows a preliminary assessment of the effects of the standards considered relevant to Dannemora Mineral:

- IFRS 9 Financial instruments (published on 31 December 2010). This is the first stage of a process which will provide a complete replacement for IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces two new requirements for the measurement and classification of financial assets, and is likely to affect the Group's reporting of financial assets. The provisions relating to financial liabilities have essentially been transferred from IAS 39, with the exception of the fair value option. The Group intends to apply the new standard no later than the financial year beginning 1 January 2015 and has not yet evaluated its effects. The standard has not yet been adopted by the EU.
- IFRS 13 Fair Value Measurement provides more consistent and less complex measurement of fair value. The standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset or liability is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value. The Group has not yet evaluated the full impact of IFRS 13 on its financial reports. The Group intends to apply the new standard in the financial year beginning 1 January 2015. The standard has not yet been adopted by the EU.

None of the other IFRS and IFRIC interpretations that are not yet effective is expected to have a significant impact on the Group.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the Parent Company and all companies over which it has direct or indirect control. Control is the power to govern the financial and operating policies of an enterprise, normally by owning more than 50% of the shares or votes. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group's acquisitions of subsidiaries are accounted for in accordance with the acquisition method. The purchase consideration for the acquisition of a subsidiary comprises the fair value of the assets acquired, liabilities assumed and shares issued by the Group.
It also includes the fair value of all assets or liabilities under a contingent consideration arrangement. Acquisition-related costs are recognised as an expense when incurred. Identifiable acquired assets and assumed liabilities in a business acquisition are measured initially at their fair value on the acquisition date. The Group decides, on an acquisition-by-acquisition basis, whether to measure the non-controlling interest in the entity acquired at fair value or at the non-controlling interest's proportionate share of the net assets of the entity acquired.

Goodwill is measured as the difference between:
a. the aggregate of the purchase consideration transferred, the amount of any NCI and the acquisition-date fair value of the previously-held equity interest; and
b. the fair value of the identifiable assets acquired and liabilities assumed. If the difference above is negative, the resulting gain is recognised as a bargain purchase in the statement of comprehensive income.

Intra-group transactions and balances, and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated, although these are often an indication of impairment. The accounting policies for subsidiaries have been amended where necessary, in order to ensure consistent application of the Group's policies.

SEGMENT REPORTING

At the end of 2011, Dannemora Mineral was active in one operating segment, namely exploration and evaluation of mineral resources. The Company's operations are conducted in Sweden. Consequently, Dannemora Mineral's identified operating segment is the same as the reporting for the Group as a whole.

With effect from the planned start of operations in the Dannemora iron ore mine in April 2012, the Group's main operating segment will be production and processing of iron ore products.

FOREIGN CURRENCY TRANSLATION

Functional currency and reporting currency

The Swedish krona (SEK) is the functional currency and reporting currency of the Group's companies.

Transactions and balance sheet items
Transactions in foreign currency are translated into the functional currency according to the exchange rates prevailing at the date of the transaction. Exchange gains and losses arising on settlement of these transactions and on translation of foreign currency trade receivables and payables using the closing rate are recognised in operating profit/loss in the income statement. Exchange gains and losses arising from loans and cash & cash equivalents are recognised in the income statement under finance income and finance costs.

INTANGIBLE ASSETS

Capitalised expenditure on exploration and evaluation assets
Expenditure on exploration for and evaluation of mineral resources is accounted for in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources. Exploration and evaluation assets are measured at cost, and expenses relate to all expenditure directly attributable to those activities. Capitalised exploration and evaluation expenses include expenditure on geological and technical studies, exploratory drilling and laboratory analyses. From the start of commercial mining operations, capitalised development expenditure attributable to the Dannemora mine will no longer be classified as exploration and evaluation assets. The reclassification will be carried out in accordance with IAS 16 Property, Plant & Equipment and IAS 38 Intangible Assets.

Impairment losses on exploration and evaluation assets are recognised when facts and circumstances indicate that the carrying amount of the assets may exceed their recoverable amount. Impairment losses are recognised in the income statement. In 2011, the Group recognised impairment losses relating to relinquished exploration permits and exploration permits with a higher carrying amount than recoverable amount.

Licences
Licences acquired separately are reported at cost. The item licences in the balance sheet includes licence fees and implementation costs for business, maintenance and payroll systems. Licences have a finite useful life, and once implemented are recognised at cost less accumulated amortisation. They are amortised on a straight-line basis over their estimated useful life, which is 10-15 years.

PROPERTY, PLANT & EQUIPMENT
Items of property, plant & equipment are recognised at cost less depreciation, apart from work in progress for which depreciation has not yet commenced. Cost includes expenses directly attributable to the acquisition of an asset. Work in progress comprises expenditure on ramp placement, shaft work and other plant & equipment investments.

Subsequent expenditure is added to the asset's carrying amount or reported as a separate asset (whichever is more suitable) only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced component is derecognised. All other types of repair and maintenance are recognised as an expense in the income statement in the period in which they arise.

Land is not depreciated. Other assets are systematically depreciated down to the estimated residual value over their estimated useful life. Depreciation is applied on a straight-line basis as follows:

Computers	3 years
Equipment, tools and fixtures & fittings	5 years
Buildings	50 years

The residual values and useful lives of the assets are reviewed on each reporting date and adjusted as required. If an asset's carrying amount exceeds its estimated recoverable amount, an impairment loss is recognised and the asset's carrying amount is written down to its estimated recoverable amount.

Gains and losses on the disposal of assets are determined by comparing sales income and the carrying amount, and are reported under other operating income or other operating expenses in the income statement.

IMPAIRMENT OF PROPERTY, PLANT & EQUIPMENT
Items of property, plant & equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For impairment testing, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash generating units). Impairment losses are recognised in the income statement. Items of property, plant & equipment for which impairment losses have previously been recognised are tested for possible reversal of impairment at the end of each reporting period.

PRODUCTS IN PROGRESS
Products in progress consist of direct production costs for the production of crude ore and are measured at cost.

FINANCIAL INSTRUMENTS
The Group classifies its financial assets and liabilities in the following categories – loans and receivables, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
They are included in current assets unless the settlement date is more than 12 months after the balance sheet date, in which case they are classified as non-current assets. Loans and receivables are reported in the balance sheet under trade receivables, other receivables and financial assets. This category also includes cash & cash equivalents. The Group assesses at each reporting date whether there is any objective evidence that a financial asset may be impaired. Impairment of trade receivables is reported in the income statement under Other external costs.

Available-for-sale financial assets
Financial assets held for trading are assets that are not derivatives and where the assets have been identified as being held for trading or have not been classified in any of the other categories. They are reported under non-current assets if management does not intend to dispose of them within 12 months of the reporting date.

Other financial liabilities
Other financial liabilities comprise the bond issue, which is classified as a long-term liability in the balance sheet, and trade and other payables that are financial liabilities. Other financial liabilities do not include not prepaid liabilities.

General principles
Purchases and sales of financial assets and liabilities are recognised on the trade date (the commitment date). Initial recognition of financial assets and liabilities is at fair value plus transaction costs. Financial assets are derecognised when the right to receive cash flows from the instruments has expired or been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the contractual obligation has been settled or extinguished in some other way.

Loans and receivables and other financial assets are recognised after the acquisition date at amortised cost using the effective interest method.

NOTE 2 cont'd

NOTE 2 cont'd

TRADE RECEIVABLES
Trade receivables are amounts to be paid by customers for renting houses, leasehold property and other premises in the Company's current operations. If payment is expected within one year, they are classified as current assets. The normal operating cycle is less than one year.
Trade receivables are recognised at nominal amounts less any provision for impairment. The carrying amount (after any impairment) of trade receivables is the same as their fair value, as these items have short settlement periods.

CASH & CASH EQUIVALENTS
This category comprises cash and demand deposits and restricted bank deposits which are expected to be settled within 12 months of the end of the reporting period. Cash and demand deposits are included in cash & cash equivalents in the cash flow statement.

SHARE CAPITAL
Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are recognised in equity, net of tax, as a deduction from the issue proceeds.

TRADE PAYABLES
Trade payables are undertakings to pay for costs and capitalised expenditure. They are classified as current liabilities if they are due for settlement within one year. The operating cycle is normally less than one year.

Trade payables are recognised at nominal amounts. The carrying amount of trade payables is the same as their fair value, as these items have short settlement periods.

BORROWING
Borrowing costs are initially recognised at fair value, net of transaction costs. Borrowing costs are subsequently measured at amortised cost, and any difference between the amount received (net of transaction costs) and the repayment amount is recognised in profit or loss over the term of the loan using the effective interest method.

BORROWING COSTS
Borrowing costs that are directly attributable to the bond issue are recognised as part of the cost of qualifying assets. This is because the purpose of the bond issue was to finance investments in the mine – an asset which, of necessity, takes a substantial period of time to get ready for its intended use. Capitalisation ceases when all the activities required to prepare the asset for its intended use are essentially completed.

All other borrowing costs are recognised as an expense when incurred.

CURRENT AND DEFERRED TAX
Tax expense for the period consists of current tax and deferred tax. Tax is recognised in the income statement, unless it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax effect is also recognised in other comprehensive income or equity. Current tax expense is calculated on the basis of the tax rules that have been enacted or substantively enacted by the reporting date.

Deferred tax is accounted for using the balance-sheet liability method. A deferred tax liability is recognised for temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. However, a deferred tax liability arising from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit or loss is not recognised. Deferred tax is measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

EMPLOYEE BENEFITS

Retirement benefit obligations
Dannemora Mineral's pension plans are all defined contribution plans. For these pension plans, Dannemora Mineral pays contributions into publicly or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no additional payment obligations once the contributions have been paid. The contributions are recognised as personnel expenses when they are due for payment. Prepaid contributions are recognised as an asset to the extent that cash repayment or a reduction in future payments may benefit the Group.

PROVISIONS
Provisions for restoration measures, restructuring costs and legal requirements are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the amount that is expected to be required to settle the obligation. A pre-tax discount rate is used that reflects current market assessments of the time value of money and the risks specific to the asset. An increase in a provision due to the passing of time is recognised under interest costs.

Dannemora Mineral's provisions consist of estimated costs of land restoration. Provisions are not recognised for future operating losses.

REVENUE RECOGNITION
With effect from 2012, the main activities will consist of mining operations. However, the Group's operating revenue in 2011 consisted primarily of rental income from houses, leasehold property and premises in Dannemora and was reported in the subsidiary Dannemora Förvaltnings AB. In 2010, operating revenue was primarily from trial deliveries of iron ore products and rental income.

Rental income from letting houses, leasehold property and premises in Dannemora is recognised in the income statement on a straight-line basis over the rental or lease term.

Interest income
Interest income is recognised over the relevant period using the effective interest method.

LEASES
A lease is classified as an operating lease when it does not transfer substantially all the risks and rewards incidental to ownership. Lease payments (less any incentives from the lessor) are recognised as an expense in the income statement on a straight-line basis over the lease term.

The Group leases certain items of property, plant and equipment. As these leases transfer to the Group substantially all the risks and rewards incident to ownership of the asset, they are classified as finance leases. Assets held under finance leases are recognised at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between reduction of the lease obligation and finance charges. The corresponding payment obligations, net of finance costs, are reported under Borrowings and Other liabilities. The finance charge should be allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

In the Parent Company, all leases are reported as operating leases.

DIVIDENDS

Dividends to the Parent Company's shareholders are recognised as a liability in the consolidated accounts for the period in which the dividend is adopted by the Parent Company's shareholders. The Board will not propose a dividend to the 2012 annual general meeting.

ACCOUNTING POLICIES – PARENT

The Parent Company applies RFR 2 Accounting for Legal Entities.

Income statement and balance sheet presentation

The income statement and balance sheet follow the presentation defined in the Swedish Annual Accounts Act. The main differences from the consolidated financial statements relate to finance income and expense, the statement of comprehensive income, provisions and the statement of changes in equity.

Shares in subsidiaries

Shares in subsidiaries are recognised at cost less any impairment losses. Dividends received are reported under finance income. If dividends exceed the subsidiary's comprehensive income for the period or result in the carrying amount of the holding's net assets in the consolidated accounts being less than the carrying amount of the shares, this is an indication of impairment.

If there is an indication that shares in a subsidiary may be impaired, the recoverable amount is calculated. If it is lower than the carrying amount, an impairment loss is recognised. Impairment losses are reported under Profit/loss from investments in Group companies.

Borrowing costs

All borrowing costs are recognised as an expense when incurred.

Classification and measurement of financial instruments

IFRS 39 Financial instruments: Recognition and Measurement is applied, apart from financial guarantees, for which the Group has taken advantage of the exemption allowed under RFR 2. Financial guarantees are reported under Contingent liabilities.

Group contributions and shareholder contributions

The Parent Company applies the Swedish Financial Reporting Board's statement UFR 2 Group contributions and shareholder contributions. Shareholder contributions are reported as an increase in the value of shares and participating interests. An assessment is then made as to whether any of the shares or participating interests are impaired.

NOTE 3 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

In the course of its operations, the Group is exposed to various financial risks. These comprise market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The risk management policies are common to all the Group's entities. Consequently, the description in this note also applies to the Parent Company. Risk management is handled by the Parent Company's finance department according to the policies defined by the Board.

Market risk

(i) Currency risk

There are not any foreign subsidiaries in the Group. As the Company has only been operating in Sweden (as at the end of 2011), foreign exchange risk has been limited, although it will arise in the future as a result of the Parent Company's bond issue of USD 120 million during 2011. In order to reduce foreign exchange risk in repayment and interest charges, the Company will gradually build up US dollar assets from the revenue generated from its future activities. At the reporting date, the loan was valued at SEK 830,760 thousand. A 5% decline or increase in the US dollar would reduce or increase the liability by SEK 41,520 thousand.

There were only a few foreign currency transactions in 2011 and 2010. Exchange differences recognised in the income statement amounted to SEK -84,999 (-207) thousand for 2011.

(ii) Interest rate risk

The Group does not have any significant interest-bearing financial assets. The only interest-bearing debt is the bond issue of USD 120 million. As this loan carries a fixed coupon rate, which is 11.75%, and matures in March 2016, the Group's earnings and cash flow from operations are essentially independent of changes in market interest rates.

Credit risk

Credit risk or counterparty risk is the risk that a counterparty in a financial transaction will fail to discharge its obligations. Credit risk is managed at Group level and is associated with bank deposits (including restricted bank deposits) and trade receivables. The Group only accepts banks and financial institutions with a high credit rating.

The Group also has procedures for assessing the creditworthiness of customers and has established credit limits in order to minimise credit risk associated with individual customers.

Liquidity risk

Liquidity risk is the risk that the Group will lack the funds to settle its financial liabilities. Liquidity risk is managed by adopting a prudent approach and ensuring the Group always has sufficient cash and cash equivalents. This is done by means of rolling liquidity forecasts prepared by the finance department.

At 31 December 2011, the Group's cash & cash equivalents stood at SEK 628,836 (212,134) thousand. The Group does not have any credit facilities.

The table below analyses the Group's financial liabilities by the remaining term to maturity after the reporting date. The amounts shown in the table are the contractual undiscounted cash flows.

At 31 December 2011	Within 1 year	1-5 years	After 5 years
Long-term borrowing rate	97,614	341,650	-
Repayment of long-term loans	-	830,760	-
Repayment of short-term loans	13,000	-	-
Trade payables and other current liabilities	85,694	-	-
Finance leases	336	617	-
Operating leases	458	530	-

At 31 December 2010	Within 1 year	1-5 years	After 5 years
Repayment of long-term loans	-	13,000	-
Trade payables and other current liabilities	18,784	-	-
Finance leases	-	-	-
Operating leases	362	834	-

Borrowing relates to a bond issue of USD 120 million. The loan is due for full repayment in March 2016, and has call options after two, three or four years at prices of 106, 104 and 102 percent. In the table above, it has been assumed that the loan will be repaid in full in March 2016.

CAPITAL RISK MANAGEMENT

The Group's goal regarding capital structure is to safeguard its capacity to operate as a going concern and maintain an optimal capital structure in order to reduce the cost of capital.

Total capital is reported as equity in the consolidated statement of financial position, and at 31 December 2011 amounted to SEK 406,210 (379,687) thousand.

MEASUREMENT OF FAIR VALUE

The carrying amount (after any impairment) of trade receivables and payables is the same as their fair value, as these items have short settlement

NOTE 3 cont'd ▶

NOTE 3 cont'd

periods. The fair value of non-current financial liabilities is measured, for disclosure purposes, as the quoted market price in an active market.

The Group does not have any financial instruments measured at fair value in the statement of financial position.

NOTE 4 SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates and assessments are evaluated regularly. They are largely based on historical experience and other factors, including expectations about future events which are considered reasonable in the present circumstances.

Significant accounting estimates and assumptions
The Group makes judgements and assumptions concerning the future. These result in accounting estimates, which, by definition, rarely correspond with the actual outcome. Estimates and assumptions which involve considerable risk of material adjustments to the carrying amounts of assets and liabilities during the next financial year are described below.

(a) Impairment testing of exploration and evaluation assets
In accordance with IFRS 6, exploration and evaluation assets are tested for impairment when facts and circumstances indicate that the carrying amount of these assets may exceed their recoverable amount. If there is an indication of impairment, recognition, classification and disclosure are carried out in accordance with IAS 36 Impairment. The value of capitalised exploration and evaluation expenses was SEK 40,701 (38,166) thousand at 31 December 2011. The value is largely based on potential and resources for developing the capitalised expenses into mineable deposits.

In 2011, the Group recognised an impairment loss of SEK 2,444 (595) thousand attributable to exploration permit expenses. If there is any change in the underlying assessments on which the fair value of intangible assets is based, and facts and circumstances indicate that impairment testing is required, their value may need to be written down. No facts or circumstances to indicate a need for impairment testing have arisen.

(b) Provision for costs of land restoration
At 31 December 2011, the Group has an obligation totalling SEK 242 (242) thousand for land restoration. A provision of SEK 242 (242) thousand has been recognised.

NOTE 5 DISTRIBUTION OF NET SALES

Net sales are divided into the following categories:

SEK thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Trial deliveries, iron ore	-	41,659	**-**	-
Rental income	**2,948**	3,159	**-**	-
Other revenues	**183**	45	**69**	45
Group-wide services	**-**	-	**5,748**	4,248
Total	**3,131**	44,863	**5,817**	4,293

Revenues of approx. SEK 2,948 (3,159) for the Group relate to rental income for 64 apartments and 12 properties owned by the subsidiary Dannemora AB.

Operating leases in which a Group company is lessor – the Group leases out premises and apartments in Dannemora under various contracts with a period of notice of 3 months. The contracts have a renewal option. Future minimum lease payments under cancellable operating leases relating to premises and apartments are as follows:

Group	**2011**	2010
Within one year	**2,893**	2,807
Group total	**2,893**	2,807

Contingent rents recognised in income for the period were SEK 0 (0).

NOTE 6 PARENT COMPANY'S INTRA-GROUP SALES AND PURCHASES

The Parent Company invoiced subsidiaries SEK 5,748 (4,248) thousand for group-wide services. The Parent Company purchased services amounting to SEK 1,938 (1,718) thousand from Group companies relating to work invested in exploration permits. These have been capitalised as exploration assets.

NOTE 7 REMUNERATION OF AUDITORS

The item 'annual audit' comprises examination of the annual financial statements, accounting records and administration of the business by the CEO and Board, other procedures required to be carried out by the Company's auditors and advice or other assistance relating to observations made during the performance of these other procedures. Anything else is classified as other services.

SEK thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Öhrlings PricewaterhouseCoopers				
Audit assignements	**490**	165	**490**	-
Audit in addition to the audit assignment	**138**	170	**138**	170
Tax advisory services	**-**	19	**-**	19
Other services	**870**	169	**870**	169
Total	**1,498**	523	**1,498**	358

NOTE 8 EMPLOYEE BENEFITS

SEK thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Remuneration of the Board and President	**3,054**	2,449	**3,054**	2,449
Remuneration of other key management personnel	**4,650**	4,447	**2,727**	1,829
Remuneration of other employees	**6,995**	2,994	**927**	-
Social security contributions	**5,066**	3,424	**2,356**	1,498
Pension expenses for Board and CEO - defined contribution plans	**581**	337	**581**	337
Pension expenses for other key management personnel - defined contribution plans	**876**	749	**528**	335
Pension expenses for other employees - defined contribution plans	**921**	-	**71**	-
Total salaries, employee benefits and pensions	**22,143**	14,400	**10,244**	6,448
Average number of employees (all employees in Sweden)				
Men	**15**	10	**3**	3
Women	**5**	4	**2**	-
Total employees	**20**	14	**5**	3

The Board consists of seven (six) members, of whom 100% (100%) are male. Group management consists of six (six) individuals, of whom 83% (83%) are male.

Remuneration of the Board and CEO
The following Board fees were paid: SEK 300 thousand to the chairman, SEK 200 thousand to the deputy chairman and SEK 100 thousand (each) to the other five Board members. There are no pension, bonus or other benefit arrangements for the board.

The Company's CEO receives a fixed salary. His total salary, excluding pension, amounted to SEK 2,054 thousand. Pension premiums paid amounted to SEK 581 thousand. No termination benefits have been agreed over and above the normal period of notice of six months.

NOTE 8 cont'd

Remuneration of key management personnel
Key management personnel (4 individuals) received salaries totalling SEK 4,650 thousand during the year. Pension premiums paid for key management personnel amounted to SEK 876 thousand. No termination benefits have been agreed for key management personnel over and above the normal period of notice of six months.

Incentive schemes
In 2006, an incentive scheme comprising a maximum of 3,000 warrants for employees, key management personnel and Board members was adopted. A total of 2,500 warrants were allotted. The subscription period was 15 March 2007 to 31 December 2008. At 31 December 2008, no shares had been subscribed for under the share option scheme.

An extraordinary general meeting in April 2008 adopted an option scheme comprising 50,000 warrants and 50,000 share options for the Company's CEO.

The warrants were transferred at a market price determined using the Black–Scholes option pricing formula. Each warrant gave entitlement to subscribe for one new class B share during the period 1 July 2009 to 15 January 2012. The subscription price per share is SEK 75. The share options were allotted without charge. Each share option gives entitlement to subscribe for one new class B share during the period 1 July 2011 to 15 January 2012. The subscription price per share is SEK 50.

The extraordinary general meeting in June 2008 adopted a proposal to extend the above option scheme by issuing 35,000 warrants and 35,000 share options to key management personnel in the group. 25,000 warrants and 35,000 share options were allotted.

The warrants were transferred at a market price determined using the Black–Scholes option pricing formula. Each warrant entitles the holder to subscribe for one new class B share during the period 1 July 2009 to 15 January 2012. The subscription price per share is SEK 91. The share options were allotted without charge. Each share option entitles the holder to subscribe for one new class B share during the period 1 July 2011 to 15 January 2012. The subscription price per share is SEK 68.

At the end of the subscription period (15 January 2012), no shares had been subscribed for under the incentive schemes described above.

NOTE 9 FINANCE INCOME AND COSTS

	Group	
SEK thousands	**2011**	2010
Finance income:		
Interest income on short-term bank deposits	**11,857**	1,016
Interest income on restricted cash equivalents	**586**	10
Dividend	**1**	-
Exchange gains	**7,591**	-
Finance income	**20,035**	1,026
Finance costs:		
Exchange losses	**-84,999**	-
Other finance costs	**-199**	-27
Finance costs	**-85,198**	-27
Net financial items, Group	**-65,163**	999

NOTE 10 INTEREST AND SIMILAR INCOME, INTEREST AND SIMILAR EXPENSE

	Parent	
SEK thousands	**2011**	2010
Interest and similar income:		
Interest income from Group companies	**6,735**	687
Other interest income	**10,902**	1,003
Dividends	**1**	-
Exchange gains	**7,591**	-
Interest and similar income	**25,229**	1,690
Interest and similar expense:		
Interest expense on non-current liabilities	**-70,962**	-
Interest costs, Group companies	**-2**	-
Other interest expenses	**-12**	-
Other finance costs	**-5,708**	-1
Exchange losses	**-84,999**	-
Interest and similar expense	**-161,683**	-1
Net financial items, Parent	**-136,454**	1,689

NOTE 11 INCOME TAXES/TAX ON PROFIT/LOSS FOR THE YEAR

	Group		Parent	
SEK thousands	**2011**	2010	**2011**	2010
Current tax:				
Current tax on profit/loss for the year	**-16**	-	**-**	-
Total current tax	**-16**	-	**-**	-

The differences between the recognised tax expense and the estimated tax expense based on the current tax rate are as follow:

	Group		Parent	
SEK thousands	**2011**	2010	**2011**	2010
Profit/loss before tax	**-118,160**	-50,939	**-156,201**	-9,920
Income tax calculated using the Group's applicable tax rate (26.3%)	**31,076**	13,397	**41,081**	2,609
Non-taxable income	**6**	-	**1**	-
Non-deductible expenses	**-28**	-81	**-20**	-59
Group contributions paid to subsidiaries	**-**	-	**12,268**	-
Tax losses for which no deferred tax asset is recognised	**-31,070**	-13,316	**-53,329**	-2,550
Total tax expense	**-16**	-	**-**	-

The weighted average tax rate for the Group and Parent Company is 26.3% (26.3%).

Deferred tax assets are recognised for tax loss carryforwards to the extent that they can be utilised against future taxable profit. The Group's accumulated tax loss carryforwards amount to SEK 327,456 (124,674) thousand. Deferred tax assets have not been recognised for these tax losses, as there is no clear indication that taxable profit will be available against which the tax losses can be utilised in the next financial year.

NOTE 12 ▸

NOTE 12 EARNINGS PER SHARE

SEK thousands	2011	2010
Profit/loss attributable to owners of the Parent	-118,176	-50,939
Weighted average number of shares outstanding before dilution (thousands)	**13,394**	10,702
Adjusted for:		
Outstanding warrants	189	189
Weighted average number of shares outstanding after dilution (thousands)	**13,583**	10,891
Earnings per share before dilution	-8.82	-4.76
Earnings per share after dilution	-8.70	-4.68

NOTE 13 DIVIDEND PER SHARE

No dividends were paid in 2011 and 2010. No dividend will be proposed to the AGM on 08 May 2012.

NOTE 14 INTANGIBLE ASSETS

SEK thousands	Group		
2010 financial year	Exploration and evaluation assets	Licences	Total
Opening balance	34,073	-	34,073
Purchases/processing	4,688	-	4,688
Impairment	-595	-	-595
Closing balance	**38,166**	**-**	**38,166**
At 31 December 2010			
Cost of acquisition	40,724	-	40,724
Accumulated amortisation	-143	-	-143
Accumulated impairment	-2,415	-	-2,415
Carrying amount	**38,166**	**-**	**38,166**
2011 financial year			
Opening balance	38,166	-	38,166
Purchases/processing	5,047	1,621	6,668
Amortisation	-68	-	-68
Impairment	-2,444	-	-2,444
Closing balance	**40,701**	**1,621**	**42,322**
At 31 December 2011			
Cost of acquisition	45,771	1,621	47,392
Accumulated amortisation	-211	-	-211
Accumulated impairment	-4,859	-	-4,859
Carrying amount	**40,701**	**1,621**	**42,322**

SEK thousands	Parent		
2010 financial year	Exploration and evaluation assets	Licences	Total
Opening balance	15,138	-	15,138
Purchases/processing	4,002	-	4,002
Impairment	-595	-	-595
Closing balance	**18,545**	**-**	**18,545**
At 31 December 2010			
Cost of acquisition	20,960	-	20,960
Accumulated amortisation	-	-	-
Accumulated impairment	-2,415	-	-2,415
Carrying amount	**18,545**	**-**	**18,545**
2011 financial year			
Opening balance	18,545	-	18,545
Purchases/processing	4,913	1,232	6,145
Amortisation	-	-	-
Impairment	-2,444	-	-2,444
Closing balance	**21,014**	**1,232**	**22,246**
At 31 December 2011			
Cost of acquisition	25,873	1,232	27,105
Accumulated amortisation	-	-	-
Accumulated impairment	-4,859	-	-4,859
Carrying amount	**21,014**	**1,232**	**22,246**

NOTE 15 PROPERTY, PLANT & EQUIPMENT

SEK thousands

Group	Land and buildings	Equipment, tools, fixtures & fittings	Plant & machinery	Work in progress	Total
2010 financial year					
Opening balance	15,831	687	-	88,870	105,388
Purchases	702	319	-	40,554	41,575
Depreciation	-248	-287	-	-	-535
Closing balance	**16,285**	**719**	**-**	**129,424**	**46,428**
At 31 December 2010					
Cost of acquisition	16,993	1,524	-	129,424	147,941
Accumulated depreciation	-708	-805	-	-	-1,513
Carrying amount	**16,285**	**719**	**-**	**129,424**	**146,428**
2011 financial year					
Opening balance	16,285	719	-	129,424	146,428
Purchases	1,044	743	1,188	400,284	403,260
Capitalisation of interest and finance costs	-	-	-	76,521	76,521
Depreciation	-173	-337	-59	-	-569
Closing balance	**17,156**	**1,125**	**1,129**	**606,229**	**625,639**
At 31 December 2011					
Cost of acquisition	18,037	2,267	1,188	606,229	625,639
Accumulated depreciation	-881	-1,142	-59	-	-1,880
Carrying amount	**17,156**	**1,125**	**1,129**	**606,229**	**625,639**

During the year, the Group capitalised borrowing costs of SEK 70,962 (0) thousand that were attributable to qualifying assets. The interest rate relates to the bond issue and was capitalised as work in progress.

Group	2011	2010
Cost – capitalised finance leases	**1,188**	-
Accumulated depreciation	**-59**	-
Carrying amount	**1,129**	-

The Group accounts for four cars under non-cancellable finance leases. The lease term is 3 years.

Future lease payments under non-cancellable finance leases fall due as follows:

Group	2011	2010
Within one year	**321**	-
1-5 years	**585**	-
After five years	**-**	-
Group total	**906**	-

Parent Equipment, tools and fixtures & fittings	2011	2010
Opening cost	674	474
Purchases	426	200
Closing accumulated cost	**1,100**	**674**
Opening depreciation	-423	-330
Depreciation for the year	-148	-93
Closing accumulated depreciation	**-571**	**-423**
Closing balance	**529**	251

NOTE 16 FINANCIAL ASSETS/OTHER NON-CURRENT RECEIVABLES

SEK thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
At beginning of year	**2,121**	2,131	**121**	131
Additions	**2**	-	**2**	-
Disposals	**-**	-10	**-**	-10
At end of year	**2,123**	2,121	**123**	121
Cash deposits	**123**	121	**123**	121
Restricted bank deposits	**2,000**	2,000	**-**	-
Total	**2,123**	2,121	**123**	121

Restricted bank deposits are funds which are restricted in accordance with the decision by the the Swedish Environmental Court for the duration of mining production in Dannemora.

NOTE 17 SHARES AND INTERESTS IN GROUP COMPANIES

SEK thousands Parent	2011	2010
Opening cost	**300**	300
Investment	**-**	-
Closing balance	**300**	300

The Parent Company owns shares in the following subsidiaries:

Name	Reg. no.	Reg'd office	Share of equity	Number of shares	Carrying amount 2011	Carrying amount 2010
Dannemora Magnetit AB	556709-1664	Östhammar	100%	100,000	100	100
Dannemora Förvaltnings AB	556750-3627	Östhammar	100%	100,000	100	100
Dannemora Prospektering AB	556708-1988	Östhammar	100%	100,000	100	100

The share of voting power is the same as the share of capital.

NOTE 18 ▶

NOTE 18 FINANCIAL INSTRUMENTS BY CATEGORY

Group

	Loans and receivables	Financial assets at FVTPL	Available-for-designated as hedging instruments	Finansiella sale financial assets	Total
31 December 2011					
Assets in balance sheet					
Deposits and restricted bank deposits	2,123				**2,123**
Trade and other receivables, excl. accrued receivables	19,285				**19,285**
Cash & cash equivalents	628,836				**628,836**
Total	**650,244**	**-**	**-**	**-**	**650,244**

	Financial liabilities at FVTPL	Derivatives designated as hedging instruments	Other financial liabilities	Total
Liabilities in balance sheet				
Borrowings (excluding finance lease liabilities)			799,687	**799,687**
Finance lease liabilities			352	**352**
Trade and other payables, excl. non-financial liabilities			85,452	**85,452**
Total	**-**	**-**	**885,491**	**885,491**

	Loans and receivables	Financial assets at FVTPL	Derivatives designated as hedging instruments	Available-for-sale financial assets	Total
31 December 2010					
Assets in balance sheet					
Deposits and restricted bank deposits	2,121				**2,121**
Trade and other receivables, excl. accrued receivables	20,631				**20,631**
Cash & cash equivalents	212,134				**212,134**
Total	**234,886**	**-**	**-**	**-**	**234,886**

	Financial liabilities at FVTPL	Derivatives designated as hedging instruments	Other financial liabilities	Total
Liabilities in balance sheet				
Borrowings (excluding finance lease liabilities)			13,000	**13,000**
Trade and other payables, excl. non-financial liabilities			26,793	**26,793**
Total	**-**	**-**	**39,793**	**39,793**

Parent

	Loans and receivables	Financial assets at FVTPL	Derivatives designated as hedging instruments	Available-for-sale financial assets	Total
31 December 2011					
Assets in balance sheet					
Other non-current receivables	123				**123**
Non-current receivables from Group companies	686,663				**686,663**
Other current receivables	1,374				**1,374**
Cash & cash equivalents	429,748				**429,748**
Total	**1,117,908**	**-**	**-**	**-**	**1,117,908**

	Financial liabilities at FVTPL	Derivatives designated as hedging instruments	Other financial liabilities	Total
Liabilities in balance sheet				
Long-term loans			799,687	**799,687**
Finance lease liabilities				
Liabilities to Group companies			91	**91**
Other liabilities			2,578	**2,578**
Total	**-**	**-**	**802,355**	**802,355**

	Loans and receivables	Financial assets at FVTPL	Derivatives designated as hedging instruments	Available-for-sale financial assets	Total
31 December 2010					
Assets in balance sheet					
Other non-current receivables	121				**121**
Non-current receivables from Group companies	157,779				**157,779**
Trade and other receivables, excl. accrued receivables	232				**232**
Cash & cash equivalents	205,471				**205,471**
Total	**363,603**	**-**	**-**	**-**	**363,603**

	Financial liabilities at FVTPL	Derivatives designated as hedging instruments	Other financial liabilities	Total
Liabilities in balance sheet				
Trade and other payables, excl. non-financial liabilities			1,975	**1,975**
Total	**-**	**-**	**1,975**	**1,975**

NOTE 19 TRADE RECEIVABLES

SEK thousands **Group**	**2011**	2010
Trade receivables	**161**	10,857
Provision for doubtful debts	**-40**	-
Trade receivables - net	**121**	10,857

At 31 December 2011, trade receivables (non-doubtful) amounted to SEK 121 (10,857) thousand.

At 31 December 2011, past due trade receivables totalled SEK 5 (130) thousand. No impairment losses were recognised.

The age analysis of these trade and other receivables is as follows:

	2011	2010
Less than 3 months	**-**	94
3-6 months	**-**	31
More than 6 months	**5**	5
Total past due trade receivables	**5**	130

At 31 December 2011, the provision for doubtful debts amounted to SEK -40 (0) thousand. The age analysis is as follows:

	2011	2010
3-6 months	**-**	-
More than 6 months	**-40**	-
	-40	-

NOTE 19 cont'd

NOTE 19 cont'd

Changes in the provision for doubtful debts are as follows:

	2011	2010
At 1 January	**0**	14
Reversal of previous provisions	**-**	-14
Provision for doubtful debts	**-40**	-
At 31 December	**-40**	-

Provisions for doubtful debts and their reversals are reported in the income statement under Other external costs.

The maximum exposure to credit risk at the reporting date is the carrying amount of the trade receivables reported above. The Group does not have any assets pledged as collateral.

NOTE 20 OTHER RECEIVABLES

SEK thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Receivables from Group companies	**-**	-	**686,663**	157,084
Recoverable VAT	**15,274**	5,094	**764**	652
Tax asset	**3,821**	4,255	**560**	-
Other current receivables	**69**	165	**49**	43
Total	**19,164**	9,514	**688,036**	157,779

NOTE 21 PREPAYMENTS AND ACCRUED INCOME

SEK thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Prepaid rent	**111**	87	**111**	87
Prepaid lease payments	**224**	-	**224**	4
Prepaid subscriptions	**32**	48	**-**	48
Prepaid insurance costs	**277**	86	**-**	58
Advances, leasing machinery	**10,242**	-	**10,242**	-
Other items	**151**	39	**151**	35
Total	**11,037**	260	**1,728**	232

NOTE 22 CASH & CASH EQUIVALENTS

Cash & cash equivalents in the balance sheet and cash flow statement are as follows:

SEK thousands	2011	2010
Group		
Balance sheet		
Cash & cash equivalents	**628,836**	212,134
Restricted bank deposits	**2,000**	2,000
Group total	**630,836**	214,134
Cash flow statement		
Cash & cash equivalents	**628,836**	212,134
Group total	**628,836**	212,134
Parent		
Balance sheet		
Cash & cash equivalents	**429,748**	205,471
Parent total	**429,748**	205,471
Cash flow statement		
Cash & cash equivalents	**429,748**	205,471
Parent total	**429,748**	205,471

NOTE 23 SHARE CAPITAL AND OTHER PAID-IN CAPITAL

	Number of shares (thousands)	Share capital	Other paid-in capital	Total
At 1 January 2010	7,760	1,242	242,715	243,957
New share issue	4,100	656	257,087	257,743
Share issue expenses	-	-	-12,062	-12,062
At 31 December 2010	**11,860**	**1,898**	**487,740**	**489,638**

	Number of shares (thousands)	Share capital	Other paid-in capital	Total
At 1 January 2011	11,860	1,898	487,740	489,638
New share issue	2,000	320	149,680	150,000
Share issue expenses	-	-	-5,302	-5,302
At 31 December 2011	**13,860**	**2,218**	**632,118**	**634,336**

NOTE 24 EQUITY COMPENSATION BENEFITS

More information about the incentive scheme can be found in note 8.

Changes in the number of warrants and share options outstanding and their exercise price are as follows:

Group	2011 Ex. price, SEK/ share	2011 Warrants (000)	2011 Ex. price, SEK/ share	2011 Employee share options (000)	2010 Ex. price, SEK/ share	2010 Warrants (000)	2010 Ex. price, SEK/ share	2010 Employee share options (000)
At 1 January	**80**	**75**	**57**	**85**	80	75	57	85
At 31 December	**80**	**75**	**57**	**85**	80	75	57	85

Share options outstanding at the end of the year matured on 15 January 2012 without any employee having chosen to redeem them.

The weighted average fair value of the options allotted in 2008 was defined using the Black–Scholes option pricing model. The model considered key data, comprising the average share value on the grant date, the exercise price, volatility, expected dividend, an expected duration for the options of 3.5 years and annual risk-free interest of 4.39%. In view of the fact that employees paid market-based premiums for the options, no cost arose in the Company.

NOTE 25 NON-CURRENT LIABILITIES

SEK thousands **Group**	2011	2010
Long-term liability to Östhammar for acquisition of land and buildings	**-**	13,000
Bond issue	**799,687**	-
Non-current liability, cars under finance leases	**352**	-
Other non-current liabilities	**800,039**	13,000
Parent		
Bond issue	**799,687**	-
Other non-current liabilities	**799,687**	-

The bond issue of USD 120 million was valued at SEK 830,760 at the reporting date and was reported net with capitalised transaction costs of SEK -31,073 thousand. The fair value at the reporting date, measured on the basis of a quoted market price in an active market, was SEK 689,531 thousand. The loan is due for full repayment in March 2016, and has call options after two, three or four years at prices of 106, 104 and 102 percent. The interest rate is 11.75% and the total interest cost until the end of March 2016, using the closing exchange rate, is SEK 439,264 thousand. The Group has pledged collateral amounting to SEK 705,867 (0) thousand for this loan. The loan does not allow any dividends. Other significant conditions include a minimum liquidity of SEK 50 million and a limitation in the net interest bearing debt/EBITDA ratio.

NOTE 26 ▸

NOTE 26 OTHER PROVISIONS

SEK thousands Group Restoration of the environment	2011	2010
At 1 January	**242**	242
Recognised in income statement:		
- reversals of provisions	**-**	-
At 31 December	**242**	242

The provisions consist of:

	2011	2010
Short-term portion	**242**	242
Group total	**242**	242

Restoration of the environment
This is described under provisions in note 2.

NOTE 27 OTHER LIABILITIES

	Group		Parent	
SEK thousands	2011	2010	2011	2010
Tax liabilities	**78**	38	**-**	-
Employee-related liabilities	**1,749**	595	**706**	212
Liabilities to Group companies	**-**	-	**91**	164
Current liability, cars under finance leases	**792**	-	**-**	-
Current liability to Östhammar for acquisition of land and buildings	**13,000**	-	**-**	-
Total	**15,619**	633	**797**	376

NOTE 28 ACCRUALS AND DEFERRED INCOME

	Group		Parent	
SEK thousands	2011	2010	2011	2010
Accrued expenditure on construction in progress	**16,229**	4,745	**-**	-
Accrued fees	**110**	299	**110**	314
Accrued holiday pay	**1,282**	912	**570**	296
Accrued social security contributions	**452**	718	**179**	218
Accrued exploration and evaluation expenses	**-**	209	**-**	-
Deferred income	**270**	305	**-**	-
Accrued interest	**26,844**		**26,844**	-
Other items	**242**	821	**57**	147
Total	**45,429**	8,009	**27,760**	975

NOTE 29 PLEDGED ASSETS

	Group		Parent	
SEK thousands	2011	2010	2011	2010
Pledged assets				
Property mortgages	**13,000**	13,000	**-**	-
Pledged non-current assets	**553,175**	-	**2,888**	-
Pledged shares in subsidiaries	**-**	-	**200**	-
Pledged bank funds	**141,692**	2,000	**97,613**	-
Deposit in accordance with Minerals Act, made to Mining Inspectorate of Sweden	**111**	120	**111**	120
Total pledged assets	**707,978**	15,120	**100,812**	120

NOTE 30 CONTINGENT LIABILITIES

SEK thousands **Parent**	2011	2010
Contingent liabilities for Group companies' commitments	13,000	13,000
Total, Parent	**13,000**	**13,000**

NOTE 31 OBLIGATIONS

Investment obligations

At the end of the period, contracted investments not yet recognised in the financial statements were as follows:

Group	2011	2010
Work in progress	**92,142**	35,022

The Parent Company did not have any investment obligations at 31 December 2011 or 2010.

Obligations under operating leases
The Group leases premises in Mörby under an operating lease.
Future lease payments under this non-cancellable lease fall due as follows:

Group	2011	2010
Within one year	**458**	362
1-5 years	**530**	834
After five years	**-**	-
Group total	**988**	1,196

Operating lease costs during the financial year were SEK 411 (868) thousand.

NOTE 32 EVENTS AFTER THE REPORTING DATE

In January 2012, Dannemora Mineral notified the Mining Inspectorate of the start of mining operations. The notification relates to underground work in the Dannemora iron ore mine.

In the same month, Dannemora Mineral presented the results of the updated mineral reserve for the Dannemora iron ore mine.

In March 2012, Dannemora Mineral completed a private placement which brought proceeds of SEK 103.5 million before issue expenses. A total of 1,500,000 class B shares were allotted at a price of SEK 69.00. After the new share issue, the number of shares in Dannemora Mineral totalled 15,360,400. The Company's share capital increased from SEK 2,217,664 to SEK 2,457,664.

The Board and CEO confirm that the consolidated annual financial statements have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and provide a true and fair view of the Group's financial performance and position. The Parent Company's annual financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and provide a true and fair view of the Company's financial performance and position.

The Board of Directors' report for the Group and Parent Company provides a true and fair view of the development of their operations, financial position and performance, and describes material risks and uncertainties to which the Parent Company and its subsidiaries are exposed.

The income statements and balance sheets for the Parent Company and Group will be submitted to the annual general meeting on 08 May 2012.

Dannemora, 29 March 2012

Nils Bernhard
Chairman of the Board

Nils Sandstedt
Deputy Chairman

Lennart Falk

Christer Lindberg

Niklas Nordström

Robert Eek

Stefan Månsson

Staffan Bennerdt
President and CEO

Our audit report was submitted on 2 April 2012
Öhrlings PricewaterhouseCoopers AB

Annika Wedin
Authorised Public Accountant

To the Annual General Meeting of Dannemora Mineral AB (publ),
reg. no. 556678-3329

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of Dannemora Mineral AB (Publ) for the year 2011. The annual accounts and consolidated accounts are included in the printed version of this document on pages 48-75.

Responsibility of board of directors and managing director
The board and the managing director are responsible for preparing annual accounts which provide a true and fair view in accordance with the Swedish Annual Accounts Act, and consolidated accounts which give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the Swedish Annual Accounts Act, and for such internal control as the board and the managing director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors and the managing director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company at 31 December 2011 and its financial performance and cash flows for the year then ended. In my opinion, the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group at 31 December 2011 and its financial performance and cash flows in accordance with International Financial Reporting Standards as adopted by the EU. A corporate governance report has been prepared. The Board of Directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the board of directors and managing director of Dannemora Mineral AB (Publ.) for the year 2011.

Responsibility of board of directors and managing director
The board of directors is responsible for the proposal for appropriations of the company's profit or loss, and the board of directors and the managing director are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the board of directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the board of directors or the managing director is liable to the Company. We also examined whether any member of the board of directors or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions
We recommend to the annual general meeting of shareholders that the profit be appropriated in accordance with the proposal in the administration report and that the members of the board and the managing director be discharged from liability for the financial year.

Gävle, 2 April 2012
Öhrlings PricewaterhouseCoopers AB

Annika Wedin
Authorised Public Accountant

Dannemora mine with a thousand-year pedigree

Photo: Henri Osti, 1890s

Storrymningen and the observation pavilion in the late 1800s.

There is written evidence of the Dannemora mine from back in 1481. However, discoveries have been made from the 1200s and 1300s, and the mine is probably over a thousand years old. The large Storrymningen open cast is of medieval origin.

In a deed of gift from 1481 gives Sten Sture the Elder gave “the silver mine in the parish of Film” to Councillor of State Jakob Ulfsson, who was also Archbishop of Uppsala. In 1532, Gustav Vasa issues a charter to Joakim Piper for the “Dannemora Mine”. in 1545, the King establishes a company that will mine ore on the site. The iron ore supplied about 30 ironworks and became world-renowned for its quality. The Dannemora field has a very large number of old mines and pits, which would point to large-scale mining activity. In the 1600s, the Dannemora mine was Europe's largest iron ore mine and the mining there helped make Sweden an important industrial nation. Much of the iron ore was exported to England - particularly Sheffield, where steel was used for weapon-making.

The Dannemora mine was the main artery of Swedish prosperity for more than 300 years, right up to the beginning of the 1900s. In 1992, SSAB closed the mine due to a fall in demand and low iron ore prices.

On 17 March 2005, the wheel turned full circle with the establishment of Dannemora Mineral AB. By resuming operation of the Dannemora mine, the Company is continuing a thousand-year-old tradition.

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Actinolite
Skarn mineral with the chemical composition $Ca_2(Mg,Fe)_5Si_8O_{22}(OH)_2$.

Anticline
A fold structure in a sequence of rock layers that are progressively older towards the centre of the fold.

Base metals
Metals such as copper, zinc and lead.

Blast furnace
Furnace in which the iron oxide in the ore is reduced to raw iron.

Breccia
Rock formed by fragments from explosive volcanic eruptions.

Carbonate rock
Rock consisting mainly of carbonate minerals such as calcite or dolomite.

Core drilling
The same as diamond drilling.

Crude ore
Ore that has been mined, but not yet undergone processing.

Cut-off
Lowest acceptable grade to make a calculation of tonnage and its average grade.

Dannemorite
Skarn mineral with the chemical composition $(Fe,Mn,Mg)_7Si_8O_{22}(OH)_2$.

Development
Tunnelling in the ore body prior to production mining.

Diamond drilling
A variety of rotary drilling with which a core (drill core) of bedrock is obtained.

Diopside
Skarn mineral with the chemical composition $CaMg(SiO_3)_2$.

Dolomite
Mineral with the chemical composition $CaMg(CO_3)_2$.

Drift
Virtually horizontal tunnel in an underground mine.

Due diligence
A process of investigation into the details of a potential investment.

Environmental permit
Permission to carry out mining and ore processing activities. Issued under the Swedish Environmental Code.

Eruption
Volcanic eruption.

Exploitation Concession
Licence to mine a deposit.

Exploration
Searching for ore.

Exploration permit
Permit issued by Mining Inspectorate of Sweden to engage in exploration in a particular area.

Fault
Crack or fracture zone along which the bedrock has moved.

Feasibility study
Analysis and evaluation of the viability of a proposed project.

Fines
In this annual report, a product measuring less than 5 mm and containing approx. 55 percent iron.

Folding phase
One of several periods in which the earth's crust was compressed and folded.

Footwall
Mass of rock underlying a more or less inclined ore body.

Garnet
Group of skarn minerals with the chemical composition $A_3B_2(SiO_4)_3$ where A is Fe, Mn, Mg or Ca and B is Al, Fe, Cr or Ti.

Geophysical survey
Survey with instruments which show the physical properties of rocks, ore or tectonic structures.

Granitoid
Silicon-rich igneous rock (cooled at depth in the earth's crust).

Hanging wall
Mass of rock overlying a more or less inclined ore body.

Inclined drift
Drift for descending into/ascending from a mine. Often in a spiral. Also called a ramp.

Indicated mineral resource
A mineralised tonnage with a stated grade, estimated from reliable information, which clearly shows the continuity of the grade and the form and extent of the mineralisation.

JORC
Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves.

Knebelite
Skarn mineral with the chemical composition $(FeMn)_2SiO_4$.

Limestone
Rock consisting mainly of the mineral calcite, with the chemical composition $CaCO_3$.

Lump ore
In this annual report, a product measuring between 5 and 16 mm and containing approx. 50 percent iron.

Magnetic separation
Method of separating minerals from waste rock magnetically.

Magnetite
Mineral with the chemical composition Fe_3O_4. Mined for extraction of iron.

Magnetometry
Method of mapping magnetic variations in the bedrock.

Main level
Drift system at a certain level where the ore transport mainly takes place.

Measured mineral resource
A mineralised tonnage with a stated grade estimated from very reliable information from observations in outcrops, drill holes, trenches and mining activities which clearly show the continuity of the grade and the form and extent of the mineralisation.

Mine head frame
Tower for hoisting ore up from the mine.

Mineralisation
Concentration of potentially interesting minerals in the bedrock.

Mining
Extraction of rock or ore. Can be surface or underground mining.

Open at depth
Ore bodies for which the possible downward extension is unknown. Can be verified by diamond drilling.

Ore
Mineralisation which can be exploited with economic benefits.

Ore chute
A chute into which the ore is tipped before being unloaded at a main level.

Pitting
Small mining attempt.

Precious metals
Metal such as gold, silver and platinum.

Probable mineral reserve
The calculated quantity and grade of the probable mineral resource for which economic profitability has been shown (by means of adequate technical, economic and legal studies) with sufficient reliability to justify investment.

Production drilling
Drilling of upward holes in a fan-shaped pattern in a development drift where ore will be mined. Explosives are then introduced into the drill holes.

Proven mineral reserve
The part of the measured mineral resources for which quantity, grade, and technical, legal and economic factors are known with the highest grade of certainty.

Ramp
Tunnel for descending into/ascending from a mine. Often in a spiral. Also called an inclined drift.

Scaling
The mine works are made secure manually or mechanically by lremoving loose pieces of rock from drift walls and roofs.

Screening
Separation of grain size fractions.

Shaft
Vertical or near-vertical passage.

Silicate
Mineral containing silicon (Si) and oxygen (O).

Skarn
Silicate minerals which often accompany iron and sulphide mineralisations.

Skip
Lift cage for transporting ore in the main shaft.

Sorting
Dry ore processing method which includes magnetic separation and screening.

Sub-level caving
Mining method often used for for steeply dipping ores.

Supracrustal rock
Rocks formed on the earth's surface.

Surface
The part of the mining area that is not underground.

Syncline
A fold structure in a sequence of rock layers that are progressively younger towards the centre of the fold.

Tectonics
Branch of geology dealing with deformation of the bedrock.

Waste rock
Valueless non-metalliferous rock in the mine.


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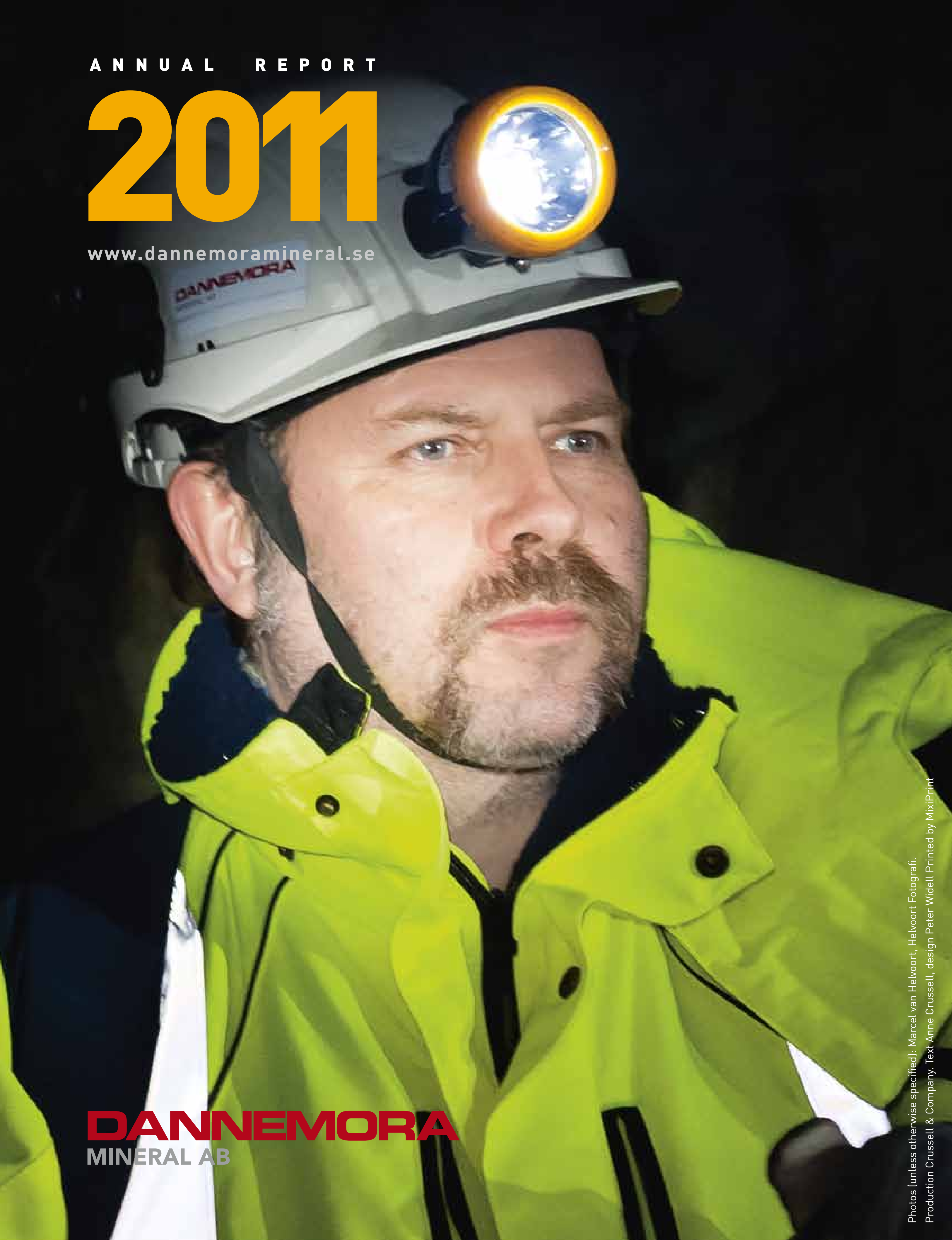

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