

DANNEMORA

Press Release 18 March 2015

Dannemora Mineral AB files for bankruptcy

On 18 March 2015, Dannemora Mineral AB filed for bankruptcy with the Uppsala District Court.

The company has been in reorganization since 13 May 2014. The work involved in reorganizing the company has resulted in significant progress being made to date and the company has been cash flow neutral for 10 months. No external financing has been provided to the company since the reorganization process was implemented.

Demand for the company's ore has exceeded production capacity, which has meant, among other things, that prices received could be improved significantly in relation to prices on the global markets. Production has increased, attaining record levels in the first two months of the year due to streamlining and staunch work by the company's employees. Combined with the significantly improved USD rate, this enabled the company to record positive EBITDA in February despite the low, declining prices of iron ore.

For a considerable period of time, the company has sought to procure external financing for necessary investments in increased mass recovery, streamlining of underground logistics and environmental measures. The opportunities for obtaining financing have improved recently and the company's board of directors has been of the opinion that there was a realistic possibility of finding a solution within a reasonable period of time.

However, due to the uncertainty over the company's future, the previously steady sales of the company's products have been affected by disruptions due to the build-up of inventory in the customer chain, which was caused by customers evaluating alternative suppliers. Therefore, the board anticipates a reduction in supply volumes and, consequently, a certain increase in the inventory of ore in the second quarter. The company's liquidity failed to hold up to the estimated, temporary increase in capital tied up in inventory.

Consequently, the company's board of directors has decided (in consultation with the administrator), for the liquidity reasons referred to above, that there is no basis for continuing with a reorganization. Therefore, today, the company (together with its subsidiaries) filed for bankruptcy with the Uppsala District Court.

The company's problems originate from 2012, when the completed concentration plant was unable to process the mine's ore as expected. By means of fewer investments and streamlining, the company was able to increase the mass recovery of finished products from an initial 30-34% to currently approximately 40% of crushed crude ore. Expected mass recovery was 58%.

In 2014, the mine produced 1.2 Mton of ore, lump ore and fines. With its manganese content and absence of phosphorus and vanadium, the Dannemora ore has been highly rated by leading European steel companies, and constitutes a valuable ingredient for customers' blast furnaces.

"The Dannemora mine is operational, supplying in-demand products to demanding customers. We have developed cost-effective solutions to our well-defined technical problems. However, we have been unable to procure the necessary financing for the necessary investments within the requisite time. I'm very proud of all of our employees and it feels very dispiriting that we were unable to give them more time to turn things around", commented chairman of the board Lennart Falk, who founded the company in 2005.

"In the past year, the business has developed very well, with reduced costs and volumes over and above planned levels. Our customers have placed a high value on Dannemora Mineral's products. The company has been able to keep in the black since the reorganization process began despite a dramatic decline in prices on the global markets. In order to bring about a stable situation (even in the face of low prices), we would have had to carry out the investments in mass recovery and the transfer of the crusher underground for which we sought financing. I think it's highly regrettable that we are unable to continue with our work, given the organization's high level of expertise, ability to make continuous improvements, and camaraderie", commented CEO Ralf Nordén.

The bankruptcy proceedings relate to Dannemora Mineral AB (the ultimate parent company of the Group) and subsidiaries Dannemora Magnetit AB, Dannemora Förvaltnings AB and Dannemora Iron Ore Development AB. It is proposed in the bankruptcy filing that Lars-Olof Svensson of Wistrand Advokatbyrå act as bankruptcy trustee.

Due to the bankruptcy, the company has requested a suspension of all trading in its shares and bonds.

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Dannemora Mineral AB is a mining and exploration company of which the primary activity is mining operations in the Dannemora iron ore mine. The Company also intends to engage in exploration activities to increase the iron ore base locally and regionally in several areas in Uppland where the potential for finding workable deposits is considered good.

Dannemora Mineral comprises the parent company Dannemora Mineral AB and the wholly-owned subsidiaries Dannemora Magnetit AB, responsible for operation of the Dannemora mine, Dannemora Iron Ore Development AB, responsible for the Group's exploration, and Dannemora Förvaltnings AB, responsible for the property portfolio.

The Company's most important asset is the iron deposit in the Dannemora Mine, and activity is focused mainly on the mining of this deposit at present.

The Company is listed on NASDAQ OMX First North, Stockholm, and Oslo Axess. The Company's Certified Advisor on First North is Remium Nordic AB.

The Company's independent qualified person is mining engineer Thomas Lindholm, Geovista AB, Luleå. Thomas Lindholm is qualified as a Competent Person, as defined in the JORC Code, based on education and experience in exploration, mining and estimation of mineral resources of iron, base and precious metals.