

**IGE**



## Third quarter highlights

- **Rönnbäcken project NPV more than tripled from MUSD 316 to MUSD 1,045**
  - *Magnetite by-product adds MUSD 729 in pre-tax NPV(8%)*
  - *Operating cost estimate reduced by 36% to US\$3.55/lb (US\$7,826/tonne) of nickel*
  - *Sundsberget resource increased by 111 Mt and upgraded to Indicated*
  - *PFS preparations continue, funded by IGE*
- **Bakerville diamond mine moving towards production**
  - *Further IGE cash outflow stopped*
  - *Contract mining agreement with Frontier Mining Projects established*
  - *Rapid build-up of mine infrastructure*
  - *Production expected to commence before year-end*
- **Refinancing and NMR listing & share distribution plan defined**

## Key figures

SEK million	Q3 2011	Nine month ended 30 <sup>th</sup> of Sept 2011	Q3 2010	Nine month ended 30 <sup>th</sup> of Sept 2010	2010
Sales	-	5.9	10.4	16.7	20.9
Other income	-	-	-	-	0.1
Total revenues	-	5.9	10.4	16.7	21.0
EBITDA	-8.1	-53.9	-13.9	-61.7	-150.0
Impairment losses and depreciation	-0.4	-168.5	-40.8	-45.2	-401.8
Net result	-12.1	-177.3	-55.8	-107.8	-477.3
Investments in period	1.9	18.4	7.2	500.9	630.0
Cash at end of period	18.0	18.0	97.6	97.6	40.2
Interest bearing long term debt at end of period	6.4	6.4	11.8	11.8	5.3

## Results

IGE Resources is now experiencing a positive trend, with regards to project development as well as cost expenditure. The development of key projects has surpassed expectations.

The economics of the Rönnbäcken Nickel Project have been improved significantly over the recent months, as a result of recent testwork which demonstrated that a high grade magnetite by-product can be recovered from Rönnbäcken nickel flotation tailings. The projected revenues from the magnetite concentrate by-product have reduced the operating cost per nickel unit by 36%. In addition, the resources for Sundsberget deposit have increased by 111 Mt and been upgraded from the Inferred to the Indicated category.

The contract mining agreement for Bakerville established in the quarter secures profits from diamond mining without further investments.

The build-up of the Bakerville diamond mine was on schedule at the end of the third quarter. All costs related to the withdrawal from the diamond mines in Angola are now absorbed.

Overhead costs have been significantly reduced throughout the group; compared to the third quarter last year operating costs were reduced by 67 per cent last quarter.

IGE Resources had no sales during the third quarter of 2011. Sales in the same quarter last year were SEK 10.4, entirely attributable to diamond sales from the Cassangudi, Angola mine.

EBITDA for the third quarter amounted to SEK -8.1 million, compared to SEK -13.9 million for the same period in 2010.

Operating expenses in third quarter were reduced from SEK 24.3 million in last year's third quarter to SEK 8.1 million this year, a reduction of 67 per cent. A cost cutting programme initiated beginning of 2011 has proven highly successful, with significantly reduced costs in the diamond business area and at corporate level. Further cost reductions may be contemplated once arrangements for the remaining diamond projects have been finalised.

For the first nine months of the year accumulated sales were SEK 5.9 million, against SEK 16.7 million last year. EBITDA for the first nine months was -53.9 million against SEK -61.7 million last year. On a year-to-date basis, operating costs were reduced by 24 per cent compared to last year.

Cash flow during the third quarter amounted to SEK -38.1 million (SEK 71.4 in the third quarter last year). The third quarter cash flow does not reflect IGE's current situation and was mainly caused by two events.

Firstly, the contemplated IPO of Nickel Mountain Resources AB in the second quarter was cancelled and consequently NMR payments needed to be covered entirely by the parent company. This short term debt was accrued during the first half of 2011 related to the development of the Rönnbäcken Nickel Project. Proceeds from IGE's May rights issue were not available to the Company until early July, resulting in overdue short term debt being paid in the third quarter.

Secondly, costs related to the May equity issue and costs related to organizational downsizing also had adverse effects on third quarter cash flow.

Cash and cash equivalents at the end of the third quarter was SEK 18.0 million.

The Board of Directors has decided to propose to an upcoming general meeting to give an authorisation of an equity offering in the form of a rights issue in order to secure financing of the Rönnbäcken Prefeasibility Study (PFS), followed by an application for listing of NMR on the Oslo Stock Exchange and a distribution of IGE's NMR shares to the Company's shareholders.

Conditional on the NMR transactions being successful, and revenue projections for the Bakerville diamond mine being achieved, IGE

(exclusive of any new investments) may reach positive cash flow by the end of the first half 2012.

The current strategy implies that funding of additional projects, whether existing or new, will be limited for the time being or made by partners or on a case by case basis if and when the Board considers it to be financially attractive.

The situation in the financial markets and the international economic climate is challenging. The availability of capital is limited and the market's valuation of exploration and development companies without near term positive cash flow is highly cautious.

IGE is facing a situation where key projects are experiencing a favourable development while the Company's market value is touching and all time low level. This is one of the main reasons why the Board has chosen to direct the funding of the Prefeasibility Study for Rönnbäcken towards existing shareholders. The PFS is an important milestone in the development of the nickel project and is expected to add significant value in terms of derisking the project.

IGE Resources' total assets per 30 September 2011 were SEK 351.6 million, compared to SEK 1,013.3 million at the end of third quarter 2010.

Net investments during the third quarter amounted to SEK 1.9 million (SEK 7.2 million in 2010's third quarter). The investments in the first nine months of 2011 are mainly related to the advancement of the Rönnbäcken nickel project.

IGE is progressing cautiously with a low cost approach.

## Operations; nickel

During the third and into the fourth quarter a number of initiatives have provided a significant value growth for the Rönnbäcken nickel project. The achievement of a magnetite concentrate through metallurgical test-work and the ensuing byproduct revenues result in a tripling of the NPV and a reduction in the project's operating cost. An increase in tonnage and an upgrade of the Sundsberget resource estimate to the Indicated category have now placed the majority of the Rönnbäcken project's resources in the Measured and Indicated category..

Preliminary metallurgical test-work initiated in September by Outotec in collaboration with the Geological Survey of Finland achieved a magnetite concentrate grade of 66.4% iron with a recovery of 84%, up from the 62% iron grade reached in previous test-work. The test-work aimed at the recovery of magnetite from the Rönnbäcken nickel flotation tailings, was performed on tailings samples from the mini-pilot plant test-work in March 2010, and demonstrated that a high grade concentrate can be produced using low intensity magnetic separation and concentrate regrinding.

Further improvements in magnetite recovery to 90% along with lower magnetite processing costs were realized in additional test-work carried out in October.

Based on these latest test-work results, and updated market research from Raw Materials Group (RMG), SRK Consulting (Sweden) AB of Skellefteå, Sweden (SRK) confirmed the positive economics of recovering a magnetite concentrate from the tailings of nickel sulphide concentrate production, and updated the economic analysis presented in the Preliminary Economic Assessment (PEA) dated April 2011 to reflect this.

Approximately 1.6 million tonnes per annum of magnetite iron concentrate are planned to be produced for the life-of mine (LOM). The impact of the magnetite iron concentrate by-product revenues, is to reduce the Project's C1 cash cost from US\$5.55/lb (US\$12,236/tonne) to US\$3.55/lb (US\$7,826/tonne) of payable nickel net of by-product credits (mainly from the magnetite iron concentrate and cobalt).

Pre-tax NPV<sub>8%</sub> ranges from US\$1,045 million to US\$2,301 million between nickel prices of US\$9.00/lb (US\$19,800/tonne) to US\$12.00/lb (US\$26,500/tonne), generating an Internal Rate of Return (IRR) and cash flow ranges from 19.9% to 31.6% and from US\$3,467 million to US\$6,264 million, respectively.

The estimated start-up capital cost for the Project is US\$1,260 million, including working capital, of which \$87 million is for the magnetite concentrate circuit.

An updated Preliminary Economic Assessment, presenting these results will be posted by the end of November on Nickel Mountain Resources' website ([www.nickelmountain.se](http://www.nickelmountain.se)). Further test-work is planned during the Prefeasibility Study (PFS) to simplify the process flowsheet, to improve

the metallurgical performance, and to further reduce the operating costs. Specific areas requiring further study include dewatering; optimization of the particle size (currently less than 20 micron) from a handling and transportation point of view; and further reduction of impurities, in particular chrome which will be evaluated as to the potential for producing a chrome by-product. Further market research will be undertaken.

SRK carried out a review of available geological data from the Rönnbäcken Nickel Project. As a result, the Mineral Resource of the Sundsberget deposit has been upgraded from the Inferred to the Indicated category. In addition, the resource estimate for the Sundsberget deposit has been increased by 111 million tonnes (Mt) to 296.9 Mt with an average total nickel content of 0.170% of which 0.088% is nickel in sulphide (Ni-AC). The entire Mineral Resource for the Project as a whole now includes a total of Measured and Indicated Mineral Resources of 573.9 Mt with an average total nickel content of 0.174% of which 0.097% is nickel in sulphide (Ni-AC) and 5.66% Fe; and Inferred Mineral Resources of 93.2 Mt with an average total nickel content of 0.177% of which 0.103% is nickel in sulphide (Ni-AC) and 5.55% Fe.

Measured and Indicated resources now account for 86% of the resource estimate for the Project. The Project's low strip ratio is very favourable and remains unchanged at 0.72:1 (waste tonnes:ore tonnes) based on the existing Life of Mine plan as presented in the PEA dated April 2011.

The upgrade in category of the Sundsberget resource to Indicated further raises the level of geological confidence in the Project's overall resource base. Correspondingly, the planned PFS budget has been reduced to \$8.5 million (excluding overheads) due to a significant reduction of infill drilling costs. Furthermore, the update provides the basis for the conversion of the majority of the existing resources into reserves during the PFS; NI 43-101 stipulates that only Indicated and Measured category Mineral Resources may be converted to Mineral Reserves.

As a result of this upgrade to the resource statement for Sundsberget, there may be a delay in completion of the application for Exploitation Concession for the Sundsberget deposit to the end of December.

As recommended by SRK in the Resource Estimate of April 2010, Nickel Mountain will carry out assaying of the drill holes from earlier drilling of the Rönnbäcknäset South down dip extension, in order to identify intersections of nickel sulphide mineralization. With these assay results expected to be available by mid-December 2011, the Mitchell River Group will then review the Rönnbäcknäset Resource Estimate for a potential increase to the resource size, as well as a potential upgrade of part of the resource from the Inferred category to Indicated. If warranted, an updated Resource Estimate is planned for the end of January 2012.

## Operations; diamonds

The third quarter brought consolidation of the diamond portfolio and represented a starting point for the implementation of IGE's new diamond strategy. Going forward, IGE will focus on bringing partners and/or investors into the diamond projects and progress towards production in collaboration with these. The short term purpose of the revised strategy is to avoid further investments in the existing portfolio and reduce financial and operational risk. IGE seeks to reduce expenses wherever possible, whilst exploring opportunities for upside participation in selected projects without any further major capital contributions.

Following the withdrawal from IGE's Angolan projects, the diamond portfolio is pared down to two South African Projects (Bakerville and Harts River) and the DRC projects (Longatshimo and Tshikapa).

In September, IGE entered into a contract mining agreement with Frontier Mining Projects (Pty) Ltd. Frontier have been involved in contract mining for a number of large diamond mining companies including De Beers and bring a wealth of experience and a significant skills and equipment resource base into the project. At Bakerville, Frontier will develop the project in stages (to treat both surface and pothole deposits) to full commercial scale of 250,000 tons per month contributing all the equipment and capital required to achieve this. Frontier will operate the mine for a 50% share of the profits. IGE can expect dividends to flow from this project once the project achieves commercial production rates, initially from the pothole deposits, currently in the commissioning phase.

IGE is currently negotiating with potential partners for participation in the Harts River

project with a view to achieving either a similar arrangement to the Bakerville project, joint ventures or outright sale. This project is less advanced than the Bakerville project (having a prospecting rather than a mining licence), and requires some additional bulk sampling in northern sectors of the project. The Harts River project covers an extensive area and has the potential to become a significant diamond producing operation, of similar magnitude to any of the other large alluvial operations in South Africa. Previously proprietary recovery technology now generally available to the diamond industry may also be useful to this project. This technology has the potential to reduce the capex and opex required for recovery of larger stone sizes in alluvial diamond projects.

In the DRC, IGE entered into an agreement for the development of the Longatshimo project by a third party involving sale of the existing bulk sampling equipment and a royalty provision. Although the initial stages of the agreement have proceeded on schedule, the final implementation has subsequently been delayed by the purchaser.

The Tshikapa project remains of interest to a number of different parties. This project has both terrace deposits similar to those of the Longatshimo project and high grade river deposits which are relatively easily dredged. This combination makes it an attractive project as the development of the terrace mining operation can be funded from cash-flow from a relatively low capex river operation. IGE is in discussions with some potential partners to develop this project.

Since the withdrawal from the Angolan diamond projects, IGE has reached an agreement with an affiliate of Asia Diamond Corporation. All assets and licenses in Angola are sold for a nominal price, while IGE retains the right to a 5 per cent royalty (on certain terms) of future diamond sales and also the right to 50 per cent of the value in the event of successful recuperation of equipment and investment guarantees in Angola. Following the agreement, IGE has no liability in Angola.

## Financial position

Cash and cash equivalents at the end of the third quarter 2011 amounted to SEK 18.0 million, compared to SEK 97.6 million at the end of third quarter 2010. Total equity amounted to SEK 268.3 million (SEK 755.2 million the corresponding period 2010) at the

end of the reporting period, representing an equity ratio of 76 per cent (75 per cent the corresponding period of the previous year).

The Company's interest bearing long term debt is limited to SEK 6.4 million at end of the reporting period, of which SEK 5 million is a convertible loan granted by Norrlandsfonden for the development of Rönnbäcken (interest bearing long term was SEK 20.2 million at the end of the third quarter 2010).

At the end of the third quarter IGE had available cash of SEK 18.0 million. The Group's operating costs have been significantly reduced potential for further reductions will be considered at year end once the diamond portfolio is secure.

The Board of Directors has invited an Extraordinary General Meeting of the shareholders on the 22 November 2011 to authorize an equity issue directed towards existing shareholders.

In the diamonds business area, IGE's guiding principle is to avoid further IGE cash outflow, and to develop remaining projects either through partnerships, financial investors or creditors.

## Group outlook

The situation of the Group has improved significantly during the latest quarter. To manage a negative cash flow of SEK 10-15 million per month in an overall weak economic situation has been very challenging which is reflected in the current share price of the Group. This situation is now changed.

IGE's overhead costs are significantly reduced and further improvements are anticipated to appear over the next six months. The current

cash outflow from the Group's fixed costs and overheads amounts to around SEK 1.5 million per month, compared to around SEK 5 million at the beginning of the year. The Bakerville mine is expected to go into production towards the end of the year without further financial contributions from IGE. The maintenance of the Harts River, Longatshimo and Tshikapa licenses are secured at low interim cost. IGE expects to conclude the ongoing discussion on the progress of these projects within a few months, and will when possible move forward without further significant costs or investments from IGE's side.

The main priorities for IGE are now to secure adequate financing of the completion of the Rönnbäcken Prefeasibility Study. Based on the recent improvements in the project's value, IGE feels confident that the funding of the completion of the PFS will be solved in a beneficial way for the shareholders.

IGE has an advanced and attractive portfolio of mineral assets in combination with a low burn rate. Current projection implies that Bakerville will start to generate a surplus for IGE during the second quarter 2012. Based on the current cost levels, a separate funding of the completion of the Rönnbäcken PFS and the projected development of Bakerville, IGE aims to be cash flow positive for the second half of 2012.

## Parent Company

The Parent Company's business activity is to manage the Group's operations. Result before tax during the third quarter of 2011 amounted to SEK -1.3 million (-5.8). Cash and cash equivalents amounted to SEK 14.1 million (87.1). Investments in the Parent Company during the reporting period amounted to SEK 0 million (0).

*The shares of IGE Resources AB (publ.) are listed on the Oslo Stock Exchange, ticker symbol IGE.*

*This Interim report has not been subject to review by the Company's auditors.*

Stockholm, 17<sup>th</sup> of November 2011



Thomas Carlsson  
CFO and acting CEO  
IGE Resources AB (publ)

## Consolidated Statement of comprehensive income

(TSEK)	Note	Q3 2011	Q3 2010	Jan-Sept 2011	Jan-Sept 2010	2010
Revenue from sales	6	-	10,389	5,848	16,680	20,909
Other income		-	-	-	-	143
Work performed by the entity and capitalized		-	732	356	15,688	18,331
Other external expenses		-6,123	-11,362	-38,760	-40,445	-61,644
Personnel expenses		-1,955	-11,896	-21,220	-43,744	-61,841
Results from equity accounted participations	7	-54	-160	-166	-324	-15,887
Other operating expenses	8	-	-1,632	-	-9,603	-49,998
<b>Operating result before depreciation and impairment losses</b>		<b>-8,132</b>	<b>-13,929</b>	<b>-53,942</b>	<b>-61,748</b>	<b>-149,987</b>
Depreciation/amortization and impairment loss on property, plant and equipment, intangible assets	3	-383	-40,775	-168,544	-45,186	-401,753
Financial revenue	4	297	1,549	800	3,096	3,255
Financial expenses	4	-3,865	-2,836	-5,174	-4,309	-4,741
Total financial items		-3,568	-1,287	-4,374	-1,213	-1,486
<b>Result before tax</b>		<b>-12,083</b>	<b>-55,991</b>	<b>-226,860</b>	<b>-108,147</b>	<b>-553,226</b>
Income tax	9	0	167	49,631	302	75,896
<b>Result for the period</b>		<b>-12,083</b>	<b>-55,824</b>	<b>-177,229</b>	<b>-107,845</b>	<b>-477,330</b>
Result for the period attributable to:						
Equity holders of the Parent Company		-11,625	-55,824	-172,710	-107,845	-465,565
Non controlling interest		-458	-	-4,519	-	-11,765
<b>Result for the period</b>		<b>-12,083</b>	<b>-55,824</b>	<b>-177,229</b>	<b>-107,845</b>	<b>-477,330</b>
Result per share before and after dilution		-0.004	-0.09	-0.06	-0.09	-0.35

## Statement of comprehensive income

TSEK	Q3 2011	Q3 2010	Jan-Sept 2011	Jan-Sept 2010	2010
Result for the period	-12,083	-55,824	-177,229	-107,845	-477,330
<i>Other comprehensive income</i>					
Exchange differences during the period	4,878	855	4,441	-3,490	-9,059
Total other comprehensive income	-7,205	-54,969	-172,788	-111,335	-486,389
<i>Total comprehensive income for the period attributable to:</i>					
Equity holders of the Parent Company	-6,747	-54,969	-168,269	-111,335	-474,625
Non controlling interest	-458	-	-4,519	-	-11,765

## Consolidated Statement of financial position

(TSEK)	Note	30/09/2011	30/09/2010	31/12/2010
<b>ASSETS</b>				
<b>Fixed assets</b>				
<i>Intangible fixed assets</i>		325,695	659,918	399,317
Mineral interests				
<i>Tangible fixed assets</i>		1,662	78,369	22,369
Plant and machinery				
Mine and other development assets		-	117,475	55,218
<i>Long-term financial assets</i>				
Participation in equity accounted companies		1,175	821	1,840
Long-term receivables		30	34,321	112
<b>Total fixed assets</b>		<b>328,562</b>	<b>890,904</b>	<b>478,856</b>
<b>Current Assets</b>				
Inventory		-	382	1,437
Other receivables		4,377	22,923	20,318
Prepaid expenses		588	1,428	564
Cash and cash equivalents		18,045	97,631	40,157
<b>Total current assets</b>		<b>23,010</b>	<b>122,364</b>	<b>62,476</b>
<b>TOTAL ASSETS</b>		<b>351,572</b>	<b>1,013,268</b>	<b>541,332</b>
<b>EQUITY</b>	11,16			
<i>Equity attributable to equity holders of the parent company</i>				
Share capital		207,713	90,281	90,281
Other paid in capital		912,313	985,193	984,120
Reserves		3,699	-11,536	-741
Retained earnings and profit for the period		-839,190	-308,760	-666,480
		284,535	755,178	407,180
Non controlling interest		-16,284	-	-11,765
<b>Total equity</b>		<b>268,251</b>	<b>755,178</b>	<b>395,415</b>
<b>Liabilities</b>				
Deferred tax liabilities	9	63,119	214,957	112,750
Other provisions	10	1,979	1,884	1,884
<i>Long term liabilities</i>				
Convertible loan	12	5,000	5,000	5,000
Interest bearing loans and borrowings		-	6,745	284
Other long term liabilities		1,376	36	-
<b>Total long term liabilities</b>		<b>71,474</b>	<b>228,622</b>	<b>119,918</b>
<i>Current liabilities</i>				
Accounts payable		3,819	4,248	7,537
Interest bearing loans and borrowings		-	8,414	5,672
Other liabilities		418	2,013	3,643
Accrued expenses and prepaid income		7,610	14,793	9,147
<b>Total current liabilities</b>		<b>11,847</b>	<b>29,468</b>	<b>25,999</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>351,572</b>	<b>1,013,268</b>	<b>541,332</b>
Pledged assets	17	8,365	56,951	97,357

## Consolidated Statement of changes in equity

(TSEK)	Equity related to the shareholders of the parent company					Non controlling interest	Total Equity
	Share capital	Other paid in capital	Exchange differences	Retained earnings and profit for the year	Total		
Balance at 1 January 2010	39,785	451,041	8,318	-200,915	298,229	0	298,229
Net result for the period				-107,845	-107,845		-107,845
<i>Other comprehensive income:</i>							
Exchange differences			-19,854		-19,854		-19,854
<b>Transactions with shareholders:</b>							
Costs referable to fundraising			-6,605		-6,605		-6,605
New share issue	50,496	540,757			591,253		591,253
<b>Closing balance at 30 September 2010</b>	<b>90,281</b>	<b>985,193</b>	<b>-11,536</b>	<b>-308,760</b>	<b>755,178</b>	<b>0</b>	<b>755,178</b>
Balance at 1 October 2010	90,281	985,193	-11,536	-308,760	755,178		755,178
Net result for the period October - December 2010				-357,720	-357,720	-11,765	-369,485
<i>Other comprehensive income:</i>							
Exchange differences			10,795		10,795		10,795
<b>Transactions with shareholders:</b>							
Costs referable to fundraising			-1,073		-1,073		-1,073
<b>Closing balance at 31 December 2010</b>	<b>90,281</b>	<b>984,120</b>	<b>-741</b>	<b>-666,480</b>	<b>407,180</b>	<b>-11,765</b>	<b>395,415</b>
Balance at 1 January 2011	90,281	984,120	-741	-666,480	407,180		395,415
Net result for the period				-172,710	-172,710	-4,519	-177,229
<i>Other comprehensive income:</i>							
Exchange differences			4,440		4,440		4,440
<b>Transactions with shareholders:</b>							
Costs referable to fundraising			-9,498		-9,498		-9,498
New share issue	117,432				117,432		117,432
Reallocation of equity from share premium reserve to share capital			-62,309		-62,309		-62,309
<b>Closing balance at 30 September 2011</b>	<b>207,713</b>	<b>912,313</b>	<b>3,699</b>	<b>-839,190</b>	<b>284,535</b>	<b>-16,284</b>	<b>268,251</b>

Total number of shares amounts to 4,154,267,960 as per September 30<sup>th</sup> 2011.

## Consolidated Statement of cash flow

(TSEK)	Jan-Sept 2011	Jan-Sept 2010	Jan-Dec 2010
<b>Cash flow from operations</b>			
Result after financial items	-226,859	-124,145	-553,226
Adjustments for non cash items*	177,741	60,794	467,406
Income tax paid	-	-	-
<b>Total cash flow from operations before change in working capital</b>	<b>-49,119</b>	<b>-63,351</b>	<b>-85,820</b>
<b>Change in working capital</b>			
Increase/decrease in inventories	1,356	1,773	718
Increase/decrease receivables	5,511	-2,228	-4,274
Increase/decrease in short term liabilities	-1,666	5,941	7,862
<b>Total cash flow from operations</b>	<b>-43,917</b>	<b>-57,865</b>	<b>-81,514</b>
<b>Cash flow used for investments</b>			
Acquisition of subsidiary, net of cash acquired	-	1,922	1,922
Sale of associated company	500	-	-
Purchase of intangible assets	-14,972	-38,456	-59,250
Sale of intangible assets	500	6,054	2,076
Purchase of tangible assets	-5,212	-3,192	-2,146
Sale of tangible assets	-	-	36
Acquisition of shares in associated companies	-	-51	-51
<b>Total cash flow used for investments</b>	<b>-19,185</b>	<b>-33,723</b>	<b>-57,414</b>
<b>Financial activities</b>			
New share issue net of transaction costs	45,625	159,050	139,428
Convertible loan	-	5,000	5,000
Raised credits	1,396	-	-
Amortization of debt	-5,976	-15,496	-6,109
<b>Total cash flow from financial activities</b>	<b>41,045</b>	<b>148,554</b>	<b>138,318</b>
Change in cash and bank	-22,057	56,966	-609
Cash and bank at 1 January	40,157	40,807	40,807
Currency exchange difference	-55	-142	-41
<b>Cash and bank at the end of reporting period</b>	<b>18,046</b>	<b>97,631</b>	<b>40,157</b>
<b>*Adjustments for non cash items</b>			
Depreciations and impairment losses on intangible assets	143,658	12,776	335,311
Depreciations and impairment losses of tangible assets	24,929	7,910	66,207
Exchange loss	4,504	12,587	-
Reversal of deferred tax liabilities	-	3,205	-
Capital loss	-	4,923	-
Write-down of long term financial asset	4,433	3,505	-
Share of loss on equity accounted companies	-	15,888	15,888
Other operating expenses	-	-	50,000
Others	217	-	-
<b>Total</b>	<b>177,741</b>	<b>60,794</b>	<b>467,406</b>

## Income statement Parent company

(TSEK)	Note	Q3 2011	Q3 2010	Jan-Sept 2011	Jan-Sept 2010	2010
Other income		-	-	-	-	-
Other external expenses		-2,012	-2,164	-12,942	-6,653	-13,137
Personnel expenses		397	-2,088	-5,700	-5,056	-8,575
Depreciation tangible assets		-7	-17	-30	-49	-63
<b>Operating result</b>		<b>-1,622</b>	<b>-4,269</b>	<b>-18,672</b>	<b>-11,758</b>	<b>-21,775</b>
<i>Result from financial items</i>						
Result from participations in group companies	7	-	-	-104,000	-	481,336
Financial revenue		311	670	380	1,918	2,136
Financial expenses		-37	-2,189	-1,043	-2,259	-2,493
<b>Total financial items</b>		<b>274</b>	<b>-1,519</b>	<b>-104,663</b>	<b>-341</b>	<b>481,693</b>
<b>Result before tax</b>		<b>-1,348</b>	<b>-5,788</b>	<b>-123,335</b>	<b>-12,099</b>	<b>-503,468</b>
Income tax		0	0	0	0	0
<b>Result for the period</b>		<b>-1,348</b>	<b>-5,788</b>	<b>-123,335</b>	<b>-12,099</b>	<b>-503,468</b>

## Statement of comprehensive income

TSEK	Q3 2011	Q3 2010	Jan-Sept 2011	Jan-Sept 2010	2010
Result for the period	-1,348	-5,788	-123,335	-12,099	-503,468
Other comprehensive income	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-1,348</b>	<b>-5,788</b>	<b>-123,335</b>	<b>-12,099</b>	<b>-503,468</b>

## Balance sheet Parent company

(TSEK)	Note	30/09/2011	30/09/2010	31/12/2010
<b>ASSETS</b>				
<b>Tangible fixed assets</b>				
Plant and machinery	18	64	48	
<i>Long-term financial assets</i>				
Shares in subsidiaries	100,635	100,635	100,635	
Receivables from subsidiaries	241,051	750,383	299,997	
<b>Total fixed assets</b>	<b>341,704</b>	<b>851,082</b>	<b>400,680</b>	
<b>Current Assets</b>				
Other receivables	162	11,608	10,505	
Prepaid expenses	309	282	297	
Cash and cash equivalents	14,114	87,093	32,362	
<b>Total current assets</b>	<b>14,585</b>	<b>98,983</b>	<b>43,164</b>	
<b>TOTAL ASSETS</b>		<b>356,289</b>	<b>950,065</b>	<b>443,844</b>
<b>SHAREHOLDERS EQUITY</b>	11,16			
<i>Restricted equity</i>				
Share capital	207,713	90,281	90,281	
Statutory reserve	49,036	111,345	111,345	
<i>Total restricted equity</i>	<i>256,749</i>	<i>201,626</i>	<i>201,626</i>	
<i>Non restricted equity</i>				
Share premium reserve	839,412	849,983	848,910	
Retained earnings	-622,515	-119,047	-119,047	
Result for the period	-123,335	-12,099	-503,468	
<i>Total non restricted equity</i>	<i>93,562</i>	<i>718,837</i>	<i>226,395</i>	
<b>Total shareholders equity</b>		<b>350,311</b>	<b>920,463</b>	<b>428,021</b>
<b>Long term liabilities</b>				
Convertible loan	12	5,000	5,000	5,000
Liabilities to subsidiaries		-	9,573	-
<b>Total long term liabilities</b>		<b>5,000</b>	<b>14,573</b>	<b>5,000</b>
<b>Current liabilities</b>				
Accounts payable		-	469	1,633
Interest bearing loans and borrowings		107	8,414	5,672
Other liabilities		-	89	446
Accrued expenses		871	6,057	3,072
<b>Total current liabilities</b>		<b>978</b>	<b>15,029</b>	<b>10,823</b>
<b>TOTAL SHAREHOLDERS EQUITY AND LIABILITIES</b>		<b>356,289</b>	<b>950,065</b>	<b>443,844</b>

## Changes in equity Parent Company

(TSEK)	Restricted Equity			Non restricted Equity		
	Share capital	Statutory reserve	Share premium reserves	Retained earnings and result for the year	Total Equity	
<b>2010</b>						
Balance at 1 January 2010	39,785	111,345	315,831	-119,047	347,914	
Result for the period				-12,099	-12,099	
<b>Transactions with shareholders:</b>						
Costs referable to fundraising					-6,605	
Acquisition of subsidiary	50,496		540,757		591,253	
<b>Closing balance at 30 September 2010</b>	<b>90,281</b>	<b>111,345</b>	<b>849,983</b>	<b>-131,146</b>	<b>920,463</b>	
Balance at 1 October 2010	90,281	111,345	849,983	-131,146	920,463	
Net result for the period October - December 2010				-491,369	-491,369	
<b>Transactions with shareholders:</b>						
Costs referable to fundraising				-1,073	-1,073	
<b>Balance at 31 December 2010</b>	<b>90,281</b>	<b>111,345</b>	<b>848,910</b>	<b>-622,515</b>	<b>428,021</b>	
Balance at 1 January 2011	90,281	111,345	848,910	-622,515	428,021	
Result for the year				-123,335	-123,335	
<b>Transactions with shareholders:</b>						
Costs referable to fundraising				-9,498	-9,498	
New share issue	117,432				117,432	
Reallocation of equity from share premium reserve to share capital			-62,309		-62,309	
<b>Closing balance at 30 September 2011</b>	<b>207,713</b>	<b>49,036</b>	<b>839,412</b>	<b>-745,850</b>	<b>350,311</b>	

## Key ratios and share data

		30/09/2011	30/09/2010	2010	2009	2008
Number of outstanding shares at beginning of reporting period	Number	1,805,618,810	795,709,953	795,709,953	418,161,828	341,000,000
New share issue	Number	-	1,009,908,857	1,009,908,857	377,548,125	77,161,828
Number of outstanding shares at the end of reporting period	Number	4,154,267,960	1,805,618,810	1,805,618,810	795,709,953	418,161,828
Average number of shares	Number	2,867,691,771	1,180,062,786	1,346,291,141	538,509,297	364,988,889
Operating result	TSEK	-53,942	-61,748	-149,987	-39,190	-92,573
Result after tax	TSEK	-177,229	-107,845	-477,330	-44,858	-98,311
Operating result per share	SEK	-0.02	-0.05	-0.11	-0.07	-0.25
Result after financial items per share	SEK	-0.08	-0.09	-0.41	-0.08	-0.27
Result per share after tax	SEK	-0.06	-0.09	-0.35	-0.08	-0.27
Shareholders equity per share before dilution	SEK	0.06	0.51	0.22	0.37	0.56
Dividend	TSEK	-	-	-	-	-
Price per share at the end of reporting period	SEK	0.02	0.23	0.23	0.58	0.65

In calculating income and cash flow per share the average number of shares has been used, whereas in calculating shareholders' equity the number of outstanding shares has been used.

IGE possesses none of its own shares at the end of the reporting period.

Further information regarding key ratio definitions can be obtained from the annual report for the financial year 2010.

Total number of shares amounts to 4,154,267,960 as per September 30<sup>th</sup> 2011.

# Notes to the financial report

## 1. Accounting principles

This interim report has been prepared according to Annual Accounts Act and IAS 34 Interim Reporting. The interim report has also been prepared in accordance with the rules in the Swedish Financial Accounting Standard RFR2.

The Interim report does not contain all the information and disclosures available in the annual report and the interim report should be read together with the annual report for 2010.

## 2. Risks and Uncertainties

The operations of IGE involve certain significant risks, including but not limited to credit risk, foreign exchange risk, and political risk. For a complete discussion of the aforementioned risks, refer to the Company's

2010 annual report, available on the IGE website, [www.ige.se](http://www.ige.se). The management of IGE does not consider that any additional risk has become current since the expiration of the previous year of operation.

## 3. Depreciations and impairments

IGE decided during second quarter 2011 to put further financing of the alluvial diamond project, Cassanguidi, in Angola on hold. Insufficient financing for major equipment replacement caused persistent operational interruptions, having significant adverse effect on revenue generation from the Cassanguidi project. The main part of the impairment losses reported in the income statement of the IGE Group during 2011 is related to the withdrawal of the Cassanguidi project in Angola.

## 4. Financial items

Financial revenue (TSEK)	30/09/2011	Group 30/09/2010	31/12/2010
Interests	178	6	84
Exchange gains	622	3,090	3,171
<b>Total financial revenue</b>	<b>800</b>	<b>3,096</b>	<b>3,255</b>

## Financial expenses

Financial expenses (TSEK)	30/09/2011	30/09/2010	31/12/2010
Interest	-48	-1,591	-1,773
Exchange losses	-5,126	-2,718	-2,968
<b>Total financial expenses</b>	<b>-5,174</b>	<b>-4,309</b>	<b>-4,741</b>

## 5. Segment reporting

(TSEK)	Jan - Sept 2011				
	Gold	Diamonds	Nickel	Other	Total
Revenue from sales	-	5,874	-	-	5,874
Operating result before depreciation and impairment losses	-305	-22,894	-11,935	-18,808	-53,942
Depreciation of mineral interests	-	-165,530	-	-	-165,530
Depreciation according to plan	-	-2,983	-	-31	-3,014
Result before tax	-302	-194,914	-12,309	-19,335	-226,860
Fixed assets	-	240,569	87,998	18	328,585
Current assets	1,265	6,534	625	14,586	23,010
Long term liabilities	-	1,376	5,000	-	6,376
Short term liabilities	-	6,254	4,615	978	11,847
Investments (gross amounts)	-	5,711	12,705	-	18,416
Jan - Sept 2010					
(TSEK)	Gold	Diamonds	Nickel	Other	Total
Other revenues	-	16,680	-	-	16,680
Operating result before depreciation and impairment losses	-1,658	-35,507	-8,105	-16,478	-61,748
Depreciation of mineral interests	-11,913	-863	-	-24,500	-37,276
Depreciation according to plan	-205	-7,435	-223	-47	-7,910
Result before tax	-13,696	-44,102	-13,102	-37,247	-108,147
Fixed assets	3,315	816,096	61,688	9,805	890,904
Current assets	1,673	16,878	4,831	98,982	122,364
Long term liabilities	36	6,745	5,000	-	11,781
Short term liabilities	93	18,536	4,224	6,615	29,468
Investments (gross amounts)	44	486,075	14,803	-	500,922

## 6. Revenue from sales

Revenue from sales is related to sales of rough diamonds recovered from IGE projects.

## 7. Result from participations in group companies

Result from participations in group companies during the period constitutes of write downs related to receivables held on the subsidiary IGE Diamond AB. The write down is a result of the impairment of the Cassanguidi project during the first and second quarter.

## 8. Other operating expenses

Other operating expenses are referable to a capital loss from sales of exploration permits in Nickel Mountain Resources AB (former IGE Nordic AB)

## 9. Tax

The positive amount reported is a reversal of a provision related to deferred tax liabilities. The reversal occurs as a result of impairments of the assets that the provision is related to.

The deferred tax liabilities are calculated as the local tax rate of each project times the surplus value referable to each acquired project.

The reversal of the deferred tax is a result of the impairment of the Cassanguidi project that has been made during the first quarter. The positive tax effect of the impairment amounts to SEK 49.6 million.

## 10. Provisions

Other Provisions are related to an estimated cost of mine site restoration.

## 11. Share warrants – incentive programs

For information about currently outstanding share warrants and call options the Company refers to the latest annual report of the Group (2010).

## 12. Convertible loan to Norrlandsfonden

In June 2010, IGE issued a convertible loan that provided the Company with an amount of totally SEK 5 million to Norrlandsfonden. The convertible loan was issued based on the following conditions:

- The maturity date of the convertible loan was set to August 31, 2018.
- The loan runs with an annual interest rate of STIBOR 90 (Stockholm Interbank Offering Rate) plus an interest surcharge of 4% to be paid quarterly.
- In case of conversion, the conversion rate per share will be SEK 0.70.
- IGE has got the right to repay the loan in cash in advance at any time during the duration of the loan. IGE will then be forced to pay a compensation for the lost interest to Norrlandsfonden of 15% (on an annual basis) on the loan amount during the period that it has been utilised by IGE.

If fully converted the convertible loan will result in that an additional 7,142,857 shares will be issued (a dilution of about 0.2%)

### **13. Related party transactions**

Tim George has invoiced the SEK 262 thousand during the third quarter for management assistance and consultancy services. Tim is the Chairman of IGE. Mace Consult invoiced IGE SEK 48 thousand during the third quarter for administrative support. Mace Consult is a related party on behalf of its Managing Director Magne Aaby, who is a member of the board in IGE.

### **14. Correction of errors in accounting**

Incorrect accounting related to previously reported results from share of profit/loss from equity accounted companies has been corrected in this report. This has affected the result and balance sheet stated in this report for the comparative period during the previous year. The previously reported results from equity accounted companies held by Nickel Mountain Resources have been corrected. In addition the foreign exchange rate differences arising from intercompany lending, previously reported as other external expenses, are from the Year End report 2010 and onwards recorded in exchange differences, as a separate component of equity. Further information can be obtained from the annual report of IGE for the financial year 2010.

### **15. New share issue**

A share issue in the form of a rights issue directed towards existing shareholders in combination with an oversubscription part was carried out during second quarter of

2011. The share issue provided the Company with SEK 55.1 gross of transaction costs. 2,348,649,150 new shares were subscribed for and issued at a price of NOK 0.02 per share.

The total amount of outstanding shares after the rights issue amounts to 4,154,267,960. The share capital increased to SEK 207,713,398. As the subscription price of the shares (SEK 0.023) was lower than the face value of the IGE share (SEK 0.05) the difference between the subscription price and the face value was covered by transfer from the company's share premium account according to the regulations of the Swedish Companies Act in order for the share capital, by the rights issue and the transfer from the share premium account, to increase with SEK 0.05 per subscribed, allocated and paid share.

### **16. Pledged assets**

Nickel Mountain Resources AB entered into an agreement with Mitchell River Group Pty Ltd. ("MRG") of Australia to form a strategic partnership with MRG of Australia. Pursuant to the MRG Agreement, MRG agreed to provide experienced personnel, systems and technical resources for the development of the Rönnbäcken Nickel Project for a term of 18 months, commencing June 2010. MRG provides funding and management for early stage resource projects, and has a strong value development track record in nickel projects. MRG will absorb the majority of its own costs, thereby accepting project risk and having an incentive to build value in the project. In return, MRG has secured an option for 10 per cent of the Rönnbäcken project for an agreed upon cash payment. Overall control of the Rönnbäcken Nickel Project remains with the IGE. To secure this loan, the Company agreed to grant MRG a fixed and floating charge over all the assets of the Company of 10 %. This agreement has not yet resulted in a formal pledge. The agreement was re-negotiated during second quarter 2011. Prior to this re-negotiation, MRG held a 100% pledge over all the assets of Nickel Mountain Resources AB: That is the explanation to the substantially higher amount reported as pledged assets during the comparative periods stated in this report.

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