Interim Results for the six months ended 30 June 2014

Beowulf (AIM: BEM; Aktietorget: BEO), the mineral exploration company focused on developing the Group's Kallak North and Kallak South iron ore deposits in northern Sweden, announces its unaudited interim results for the six months ended 30 June 2014.

Highlights:

Operational:

- Approximately 3,156m of drilling across10 holes was completed on Kallak North and 5,051m across 12 holes on Kallak South, following the recommencement of the Group's extensive drill campaigns on 8 March and 12 March 2014 respectively. Initial assay results for both campaigns are currently expected to be received in Q3 2014.
- Ballek drill programme completed in late April 2014 comprising 2,039m of drilling across 8 holes to test previously indicated copper targets at increased depths. Initial assay results are expected to be received from the ALS laboratory in Öjebyn in Q3 2014.
- Encouraging initial results reported by the Geological Survey of Finland ("GTK") in relation to its pilot scale test work on material from the test mining sampling programme conducted last year on a defined area of the Kallak North deposit. Excellent grade and recovery levels from the magnetite beneficiation circuit tested, with further test work by GTK ongoing to assist with the design of the requisite future processing facilities for Kallak.
- Group's licenced area in the Kallak region enhanced via the grant of a new exploration permit, Ågåsjiegge nr2, covering an area of 6,836 hectares adjacent to the existing Kallak project area.
- Revised and expanded exploitation concession application for the Kallak North deposit submitted to the Swedish Mining Inspectorate in April 2014.

Financial:

- Nil revenue (2013: Nil), loss before and after taxation of £1,317,313 (2013: £479,286) and basic loss per share of 0.47p (2013: 0.18p).
- Approximately £569,000 in cash held at the period end.
- Post period end, a capital raising of up to £2 million announced on 21 August 2014.

Clive Sinclair-Poulton, Executive Chairman of Beowulf, commented:

"We are looking to move away from being an exploration company where the mantra is on drilling to a development company where our emphasis is on the mining and sale of product. With this is mind we intend to accelerate the marketing of the high quality Kallak North magnetite."

Executive Chairman's Statement

The Board of Beowulf is pleased to present the Group's unaudited interim results for the six month period to 30 June 2014.

Overview

Beowulf currently has five exploration projects in northern Sweden primarily prospecting for iron, copper and gold. Reflecting our significant drilling programmes and on-going exploration activities, the unaudited consolidated results show nil revenue (2013: nil), a loss before and after taxation of £1,317,313 (2013: £479,286) and basic loss per share of 0.47p (2013: 0.18p).

The Directors believe that the Company's mineral assets are promising and worthy of future development. Amongst other investor relations activities, we have presented at four investor shows in the UK and which has yielded a positive response despite the muted sentiment of the capital markets.

Kallak North and South

Excellent test results from Finland showing the sheer quality of our magnetite at Kallak North were met with indifference while all the effort put into a 360 page environmental report needed for our mining licence application resulted in little interest

Over Kallak North and South more than 8.2 kilometres of drilling has taken place in 2014, we now have just over five miles of cores.

The recently announced assay results are very promising.

At Kallak North just over a kilometre in total was drilled significant long intercepts were identified in all holes which include one inclined hole with a significant intercept from surface to 249.99m along drill core averaged 30.68 per cent iron. A 17m section of the same hole returned 41.16 per cent average iron content.

At Kallak South more than 5,000 metres have been drilled over 16 holes, primarily taking place in the northern part of Kallak South. We have encouraging [assay] results back from seven of the holes, for example one hole had had 22 metres with a 37.045 per cent iron content.

As already referred to, in April we delivered an upgraded environmental report to the Norrbotten County Board. The objective of the upgrade report was to satisfy the queries made by the County Board following our original application in 2013. This report is required prior to Kallak North being awarded a mining licence. We are expecting the County Board to respond to our updated application in Q4 2014

The system in Sweden for the awarding of mining licences is fair and transparent, the by-product of more than a thousand years of mining and has been ranked as the best jurisdiction to operate in by mining companies. This approach combined with the stability of Sweden and the proximity to markets is very important when looking at a multi-decade, multi-million dollar project. It sets Sweden and so

Beowulf apart from other iron ore projects that may go into production. The one drawback is that the system, with its checks and balances is that it is not the fastest.

Ballek

At Ballek where just over 2,000 metres were drilled at eight holes there is some notable copper present. We now need to discuss with our Joint Venture partner on how to further develop this project.

Our emphasis however must be at Kallak where the Directors believe the greater potential is.

We now look to analyse the considerable data we have on Kallak North combined with the emerging understanding of the northern part of Kallak South so as to plan its development.

Ågåsjiegge nr2 licence

Additional work will be done at the new Ågåsjiegge nr2 licence area where the Swedish Geological Survey estimates there is 75 million tonnes of magnetite.

We can therefore show a planned and defined long-term mine in the Kallak region.

Outlook

We have estimated that up to 1,400 direct and indirect jobs will be created by the mine, essential to the local community. This was stressed in a recent BBC documentary on the north of Sweden where it was encouraging that the mayor of Jokkmokk said that the majority in the town were in favour of a mine.

While we have excellent relations with the Sami at Ballek we are still trying to discuss areas of mutual importance with the Sami at Kallak. We shall continue to seek ways to be in contact with them and to show the facts and benefits that Kallak has to all the inhabitants of Jokkmokk and Norrbotten.

Conflicting and contradictory economic messages from China and Europe have created an atmosphere of uncertainty in iron ore markets. When this happens bears roam, not by themselves but in packs, large groups of them. For every positive there is at least one negative. This has had a dulling impact on iron prices which are low. But these are the prices for iron which is being mined now. We still expect iron ore prices to be closer to US$100 a tonne when we bring Kallak in production.

If a blast furnace needs enriched oxygen to work then a development company needs funding. This is especially true after a substantial exploration campaign when more than 10,000 metres have been drilled. The drilling and analysis work is costly but necessary to better define the assets.

To further develop Kallak we have announced a capital raise of up to £2 million in a three stage transaction involving both institutional investors and for the first time an open-offer to our existing shareholders. Previously I had been contacted by existing individual shareholders asking why they could not participate in fund raising activities. We strongly believe that as many as possible of our existing shareholders should be support the fund raising activities of the Company. This is one of the reasons we are quoted on the AktieTorget market in Stockholm. It is exactly this principle that has motivated us to enable our current shareholders to buy more shares in the Open Offer. Our major institutional shareholder was a very significant investor in the Placing, we hope our shareholders will strongly participate in the Open Offer.

As we change emphasis we also change the Board of Directors. Anthony Scutt and Edward Taylor are both retiring after the forthcoming General Meeting. They have given considerable time and effort to the Company. I shall miss them on both a personal and business level; their many contributions are very much appreciated. As two stalwarts leave we will welcome in September two new non-executives, Kurt Budge and Bevan Metcalf. I look forward to working with them and channelling their energies and experience towards the development of Beowulf.

I would also like to thank all those who work for Beowulf and its subsidiaries, our consultants and advisers and to all of our supporters.

Clive Sinclair-Poulton

Executive Chairman

London, 2014-08-29

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CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 June 2014

	(Unaudited) 6 months to 30 June 2014 £	(Unaudited) 6 months to 30 June 2013 £	(Audited) Year ended 31 Dec 2013 £
Continuing operations			
Revenue	-	-	-
Administrative expenses	(554,044)	(504,616)	(1,120,547)
Operating loss	(544,044)	(504,616)	(1,120,547)
Finance costs	(1,114)	-	-
Fair value loss on derivative financial assets (*see note*)	(777,033)	-	(1,109,028)
Finance income	14,878	25,330	43,061
Loss before tax	(1,317,313)	(479,286)	(2,186,514)
Tax	-	-	-
Loss for the period	(1,317,313)	(479,286)	(2,186,514)
Loss attributable to:			
Owners of the parent	(1,317,313)	(479,286)	(2,186,514)
	(1,317,313)	(479,286)	(2,186,514)
Loss per share:			
- Basic	(0.47p)	(0.18p)	(0.91p)
- Diluted	(0.46p)	(0.18p)	(0.89p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 June 2014

	(Unaudited) 6 months to 30 June 2014 £	(Unaudited) 6 months to 30 June 2013 £	(Audited) Year ended 31 Dec 2013 £
Loss for the period	(1,317,313)	(479,286)	(2,186,514)
OTHER COMPREHENSIVE INCOME			
Revaluation of listed investments	3,656	(6,934)	(5,785)
Exchange difference arising on consolidation	(388,109)	145,998	(134,986)
Income tax relating to components of other comprehensive income	-	-	-
Other comprehensive income for the period, net of income tax	(384,453)	139,064	(140,771)
Total comprehensive income for the period	(1,701,766)	(340,222)	(2,327,285)
Total comprehensive income attributable to:			
Owners of the parent	(1,701,766)	(340,222)	(2,327,285)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	(Unaudited) As at 30 June 2014 £	(Unaudited) As at 30 June 2013 £	(Audited) As at 31 Dec 2013 £
ASSETS			
Non-current assets			
Intangible assets	6,165,630	4,469,343	5,196,482
Property, plant and equipment	50,970	1,802	1,990
Investments	23,220	18,415	19,564
Derivative financial assets (*see note*)	569,969	-	635,603
Loans and other financial instruments	-	135,000	-
Financial fixed assets	108,886	121,377	116,588
	6,918,675	4,745,937	5,970,227
Current assets			
Trade and other receivables	462,523	216,674	327,657
Derivative financial assets (*see note*)	-	-	1,010,007
Cash and cash equivalents	568,687	2,166,047	1,983,616
	1,031,210	2,382,721	3,321,280
TOTAL ASSETS	7,949,885	7,128,658	9,291,507
EQUITY			
Shareholders' equity			
Called up share capital	2,828,273	2,104,273	2,828,273
Share premium account	14,078,466	10,858,905	14,078,466
Revaluation reserve	(101,780)	(106,585)	(105,436)
Capital contribution reserve	46,451	46,451	46,451
Share scheme reserve	67,760	67,760	67,760
Translation reserve	(555,593)	113,500	(167,484)
Retained earnings	(9,228,325)	(6,203,784)	(7,911,012)
Total equity	7,135,252	6,880,520	8,837,018
LIABILITIES			
Current liabilities			
Trade and other payables	814,633	248,138	454,489
Total liabilities	814,633	248,138	454,489
TOTAL EQUITY AND LIABILITIES	7,949,885	7,128,658	9,291,507

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 June 2014

	Called up share capital	Retained earnings	Share premium	Share scheme reserve	Capital contribution reserve
	£	£	£	£	£
Balance at 31 December 2012	2,104,273	(5,724,498)	10,858,905	67,760	46,451
Changes in equity					
Issue of share capital	-	-	-	-	-
Total comprehensive income	-	(479,286)	-	-	-
Balance at 30 June 2013	2,104,273	(6,203,784)	10,858,905	67,760	46,451
Changes in equity					
Issue of share capital	724,000	-	3,219,561	-	-
Total comprehensive income	-	(1,707,228)	-	-	-
Balance at 31 December 2013	2,828,273	(7,911,012)	14,078,466	67,760	46,451
Changes in equity					
Issue of share capital	-	-	-	-	-
Total comprehensive income	-	(1,317,313)	-	-	-
Balance at 30 June 2014	2,828,273	(9,228,325)	14,078,466	67,760	46,451

	Revaluation reserve	Translation reserve	Total	Non-controlling interest	Total equity
	£	£	£	£	£
Balance at 31 December 2012	(99,651)	(32,498)	7,220,742	-	7,220,742
Changes in equity					
Issue of share capital	-	-	-	-	-
Total comprehensive income	(6,934)	145,998	(340,222)	-	(340,222)
Balance at 30 June 2013	(106,585)	113,500	6,880,520	-	6,880,520
Changes in equity					
Issue of share capital	-	-	3,943,561	-	3,943,561
Total comprehensive income	1,149	(280,984)	(1,987,063)	-	(1,987,063)
Balance at 31 December 2013	(105,436)	(167,484)	8,837,018	-	8,837,018
Changes in equity					
Issue of share capital	-	-	-	-	-
Total comprehensive income	3,656	(388,109)	(1,701,766)	-	(1,701,766)
Balance at 30 June 2014	(101,780)	(555,593)	7,135,252	-	7,135,252

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months ended 30 June 2014

	Notes	(Unaudited) 6 months to 30 June 2014 £	(Unaudited) 6 months to 30 June 2013 £	(Audited) Year ended 31 Dec 2013 £
Cash flows from operating activities				
Cash generated from operations	1	(63,537)	(473,481)	(954,437)
Interest paid		(1,114)	-	-
Net cash from operating activities		(64,651)	(473,481)	(954,437)
Cash flows from investing activities				
Purchase of intangible fixed assets		(1,306,955)	(1,027,760)	(1,881,050)
Sale of intangible fixed assets		36,804	-	-
Purchase of tangible fixed assets		(51,713)	(1,290)	(1,885)
Purchase of fixed asset investments		(101)	(61,440)	(57,023)
Loans to related parties		-	(17,750)	-
Funding of joint venture		(314,355)	(4,933)	(29,966)
Interest received		5,153	15,605	23,611
Net cash from investing activities		(1,631,167)	(1,097,568)	(1,946,313)
Cash flows from financing activities				
Share issue		-	-	1,325,000
Cost of share issue		-	-	(581,439)
Settlement of derivative financial asset		298,608	-	445,362
Net cash from financing activities		298,608	-	1,188,923
Increase/(decrease) in cash & cash equivalents	(1,397,210)	(1,571,049)	(1,711,827)	
Effect of exchange rate changes on the balance of cash held in foreign currencies at the beginning of the period		(17,719)	39,325	(2,328)
Cash and cash equivalents at the beginning of period	2	1,983,616	3,697,771	3,697,771
Cash and cash equivalents at end of period		568,687	2,166,047	1,983,616

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months ended 30 June 2014

1. Reconciliation of loss before tax to cash generated from operations

	(Unaudited) 6 months to 30 June 2014 £	(Unaudited) 6 months to 30 June 2013 £	(Audited) Year ended 31 Dec 2013 £
Loss before income tax	(1,317,313)	(479,286)	(2,186,514)
Depreciation charges	2,733	257	664
Impaired exploration costs recovered	(36,804)	-	-
Impairment of related party loan	-	-	135,000
Impairment of accrued interest receivable	9,725	-	49,558
Finance costs	1,114	-	-
Fair value loss on derivative financial assets	777,033	-	1,109,028
Finance income	(14,878)	(25,330)	(43,061)
	(578,390)	(504,359)	(935,325)
Decrease/(Increase) in trade and other receivables	169,371	17,490	(156,335)
Increase/(Decrease) in trade and other payables	345,482	13,388	137,223
Cash generated from operations	(63,537)	(473,481)	(954,437)

2. Cash and cash equivalents

The amounts disclosed in the statement of cash flows in respect of cash and cash equivalents are in respect of these statements of financial position amounts:

Period ended 30 June 2014

	(Unaudited) As at 30 June 2014 £	(Audited) As at 31 Dec 2013 £
Cash and cash equivalents	568,687	1,983,616

Period ended 30 June 2013

	(Unaudited) As at 30 June 2013 £	(Audited) As at 31 Dec 2012 £
Cash and cash equivalents	2,166,047	3,697,771

Period ended 31 December 2013

	(Audited) As at 31 Dec 2013 £	(Audited) As at 31 Dec 2012 £
Cash and cash equivalents	1,983,616	3,697,771

Cash and cash equivalents consist of cash in hand and balances with banks.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the 6 months ended 30 June 2014

1. Basis of preparation

These interim financial statements for the six month period ended 30 June 2014 have been prepared using the historical cost convention, on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") including IAS 34 'Interim Financial Reporting' and IFRS 6 ' Exploration for and Evaluation of Mineral Resources', as adopted by the European Union ("EU"). They have also been prepared on a basis consistent with the accounting policies expected to be applied for the year ending 31 December 2014, and which are also consistent with the accounting policies applied for the year ended 31 December 2013 except for the adoption of any new standards and interpretations.

These interim results for the six months ended 30 June 2014 are unaudited and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial statements for the year ended 31 December 2013 have been delivered to the Registrar of Companies and filed at Companies House and the auditors' report on those financial statements was unqualified and did not contain a statement made under Section 498(2) or Section 498(3) of the Companies Act 2006.

2. Accounting policies

Reporting entity
Beowulf Mining plc is a company domiciled in the United Kingdom. The address of the Company's registered office is Richmond House, Broad Street, Ely, Cambridgeshire CB7 4AH. The Group is primarily involved in the exploration for world-class iron, copper and gold deposits.

Compliance with accounting standards
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for revenues and expenses during the period and the amounts reported for assets and liabilities at the balance sheet date. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement of any impairment on intangible assets and the estimation of share-based payment costs. The Group determines whether there is any impairment of intangible assets on an annual basis. The estimation of share-based payment costs requires the selection of an appropriate model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Business acquisitions have been accounted for in accordance with IFRS 3, 'Business Combinations'. Fair values are attributed to the Group's share of net assets. Where the cost of acquisition exceeds the fair values attributed to such assets, the difference is treated as purchased goodwill and is capitalised. In the case of subsequent acquisitions of minority interests, the difference between the consideration payable for the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of acquisition of the minority interest has been treated as goodwill.

Interests in jointly controlled entities are accounted for using proportionate consolidation in accordance with IAS 31, 'Financial Reporting of Interests in Joint Ventures'. The consolidated Statement of Financial Position of the venturer includes the proportionate share of the assets that it controls jointly and its share of the liabilities for which it is jointly liable. The Income Statement of the venturer includes its share of income and expenses of the jointly controlled entity.

Intangible fixed assets - exploration costs
Expenditure on the acquisition costs, exploration and evaluation of interests in licences including related overheads are capitalised. Such costs are carried forward in the statement of financial position under intangible assets and amortised over the expected period of mineral extraction in respect of each area of interest where:

a) such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively by its sale;

b) exploration activities have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations in relation to the areas are continuing.

An annual impairment review is carried out by the directors to consider whether any exploration or development costs have suffered impairment in value and whether necessary provisions are required to be made accordingly. Accumulated costs in respect of areas of interest that have been abandoned are written off to the income statement in the year in which the area is abandoned.

Exploration costs are carried at cost less any provision from impairment.

Property, plant and equipment
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 25% on reducing balance

Investments
Fixed asset investments in listed companies are stated at open market value. The revaluation adjustment is taken to the revaluation reserve and any impairments are shown in the income statement for the year.

Fixed asset investments in subsidiary undertakings and joint venture interests are stated at cost less provision for any impairment in value.

Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

- Cash and cash equivalents comprise cash held at bank and short term deposits
- Trade payables are not interest bearing and are stated at their nominal value
- Equity instruments issued by the Group are recorded at the proceeds received except where those proceeds appear to be less than the fair value of the equity instruments issued, in which case the equity instruments are recorded at fair value. The difference between the proceeds received and the fair value is reflected in the share based payments reserve.

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Profit and losses of overseas subsidiary undertakings are translated into sterling at average rates for the year. The statements of financial position of overseas subsidiary undertakings are translated at the rate ruling at the statement of financial position date. Differences arising from the translation of Group investments in overseas subsidiary undertakings are recognised as a separate component of equity.

Net exchange differences classified as equity are separately tracked and the cumulative amount disclosed as a translation reserve.

The principal place of business of the Group is the United Kingdom with sterling being the functional currency. Exploration costs are mainly payable in Swedish Kronor and funds are converted to Kronor as required.

Share-based payment transactions
Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of all options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement or share premium account if appropriate, are charged with the fair value of goods and services received.

Cash and cash equivalents
Cash and cash equivalents for the purpose of the cash flow statement comprise cash and bank balances.

Valuation of derivative financial asset
The Company has placed shares with Lanstead Capital L.P. and at the same time entered into equity swap and interest rate swap agreements in respect of the subscriptions for which consideration will be received monthly over a 24 month period as disclosed in the notes to these financial statements. The amount receivable each month is dependent on the Company's share price performance. The Directors have made assumptions in the financial statements about funds receivable at the year end. However, there is significant uncertainty underlying these assumptions due to the unpredictable nature of the Company's share price.

Going Concern
The Directors have considered the cash flow requirements of the Group over the next 12 months. The Group will need to raise additional funds in due course if it is to finance its operational costs and continue exploration and development as planned. Whilst it is difficult in the current economic environment to generate the extra funds required, the Directors expect to meet the funding requirements and therefore believe that the going concern basis is appropriate for the preparation of the financial statements.

3. **Loss per share**

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares of 282,827,365 (30 June 2013: 210,427,365 and 31 December 2013: 241,137,381) outstanding during the period.

Diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares being 286,881,587 (30 June 2013: 214,481,587 and 31 December 2013: 245,191,603).

4. Called up share capital

	(Unaudited) 30 June 2014 £	(Unaudited) 30 June 2013 £	(Audited) 31 Dec 2013 £
Allotted, issued and fully paid			
282,827,365 ordinary shares of 1p each	2,828,273	2,104,273	2,828,273

The number of shares in issue was as follows:

	Number of shares
Balance as 31 December 2012	210,427,365
Issued during the period	-
Balance at 30 June 2013	210,427,365
Issued during the period	72,400,000
Balance at 31 December 2013	282,827,365
Issued during the period	-
Balance at 30 June 2014	282,827,365

5. Derivative financial asset

In July 2013, as part of a two stage subscription to raise, in aggregate, £4.125m (before expenses) from certain new shareholders, the Company issued 28,694,000 new ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") at a price of 6.25p per share to Lanstead Capital L.P. ("Lanstead") with a notional value of £1,793,375. The Company simultaneously entered into an equity swap price mechanism with Lanstead for a notional 75 per cent of these shares with a notional reference price of 8.3333p per share (the "Reference Price"). Lanstead have essentially hedged the consideration they pay for the Ordinary Shares subscribed in the Company against the performance of the Company's share price over the subsequent 24 month period. All 28,694,000 Ordinary Shares were allotted with full rights on the date of the transaction.

In August 2013, following the receipt of shareholders' approval at a duly convened general meeting, the Company issued a further 35,306,000 new Ordinary Shares at a price of 6.25p per share to Lanstead with a notional value of £2,206,625. The Company entered into a further equity swap price mechanism on the same basis and with the same Reference Price as that outlined above. All 35,306,000 shares were allotted with full rights on the date of the transaction.

Accordingly, pursuant to the above arrangements, of the aggregate subscription proceeds of £4m received from Lanstead, £3.2m (80 per cent) was invested by the Company in the equity swap agreements with the remaining £0.8m (20 per cent) available for general working capital purposes.

To the extent that the Company's share price is greater or lower than the Reference Price at each swap settlement, the Company will receive greater or lower consideration calculated on a pro-rata basis i.e. share price / Reference Price multiplied by the monthly transfer amount. The valuation for each settlement is determined to be the volume weighted average share price for the preceding 5 trading days up to the relevant settlement date.

As the amount of the effective consideration receivable by the Company from Lanstead under the swap agreements will vary subject to the movement in the Company's share price and will be settled in the future, the receivable is treated for accounting purposes as a derivative financial asset and has been designated at fair value through profit or loss.

The Company also issued, in aggregate, a further 6,400,000 Ordinary Shares to Lanstead as a value payment in connection with the equity swap agreements.

The fair value of the derivative financial assets as at 30 June 2014 has been determined by reference to the Company's then prevailing share price and has been estimated as follows:

	Share price	Notional Number of shares outstanding	Fair value £
Value recognised on inception (notional)	8.3333p	48,000,000	3,200,000
Consideration received to 31 December 2013		(8,896,690)	(445,362)
Loss on revaluation of derivative financial asset			(1,109,028)
At 31 December 213			
Value of derivative financial asset at 31 December 2013	5.8750p	39,103,310	1,645,610
Consideration received in period		(10,000,000)	(298,608)
Loss on revaluation of derivative financial asset recognised in period			(777,033)
Value of derivative financial asset at 30 June 2014	3.6250p	29,103,310	569,969

The settlements scheduled for June 2014 under the equity swap agreements have not been completed, and the company and Lanstead Capital L.P. have mutually agreed to defer all settlements until the completion of a new 12 month equity swap agreement detailed in the post balance sheet event note.

6. **Post balance sheet events**

On 21 August 2014 the company announced a conditional capital raise of £2m comprising a Placing, Subscription and Open

Offer summarised as follows:

The Company has placed 20,000,000 new ordinary shares (the "Placing Shares") to raise approximately £0.6 million (before expenses) with institutional and other investors at a price of 3 pence per new ordinary share (the "Issue Price").

The Company has also raised £1 million (before expenses) from its largest shareholder, Lanstead Capital L.P. ("Lanstead") by way of a subscription for 17,924,000 new ordinary shares (the "Initial Subscription Shares") at the Issue Price (the "Initial Subscription") and a conditional subscription for 15,409,333 new ordinary shares (the "Second Subscription Shares") at the Issue Price (the "Proposed Subscription") (together, the "Subscription").

The Board recognises and is grateful for the continued support received from Shareholders and has therefore decided to offer all Shareholders the opportunity to participate in the further issue of new equity in the Company by launching an Open Offer to issue up to 13,333,333 further New Ordinary Shares to Qualifying Shareholders at the Issue Price (the "Open Offer Shares"). Qualifying Shareholders may subscribe for Open Offer Shares on the basis of 1 Open Offer Share for every 21 Existing Ordinary Shares held on the Record Date. Shareholders subscribing for their full entitlement under the Open Offer may also request additional New Ordinary Shares through the Excess Application Facility.

Assuming full take-up under the Open Offer, the issue of the Open Offer Shares will raise further gross proceeds of up to £0.4 million for the Company and the gross proceeds of the Capital Raising would increase to £2.0 million.

The completion of the Proposed Subscription and the Open Offer is conditional upon, inter alia, the approval of Shareholders in a general meeting of the Company (the "General Meeting") and admission to trading on AIM. The completion of the Placing and Initial Subscription is conditional upon, inter alia, admission to trading on AIM.

7. **Availability of interim report**

A copy of these results will be made available for inspection at the Company's registered office during normal business hours on any weekday. The Company's registered office is at Richmond House, Broad Street, Ely, Cambridgeshire CB7 4AH. A copy can also be downloaded from the Company's website at www.beowulfmining.net. Beowulf Mining plc is registered in England and Wales with registered number 02330496.