ANNUAL REPORT AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

FOR

BEOWULF MINING PLC
GROUP OF COMPANIES

Contents

Company Information

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Chairman's Statement

I am pleased to present the Group's results for the year ended 31 December 2012. Beowulf currently has five exploration projects in northern Sweden primarily prospecting for iron, copper and gold. The results show that the Group incurred a loss before and after taxation for the year of £1,295,692 (2011: loss of £832,235) reflecting our significant drilling programmes, on-going exploration activities, higher cost base and certain investment and licence relinquishment impairment costs. Accordingly, no dividend is proposed for the year ended 31 December 2012.

Kallak iron ore project

It is not often that a stopped train can show both promise and commitment. In October 2012, however, when a train on the newly reopened Inlandsbanan ('Inland') railway stopped in north Sweden it showed both.

It demonstrated the Swedish government's commitment to supporting the country's mining industry by upgrading the logistics needed to transport ore. After a period of approximately 30 years, the railway line had been reactivated, a clear sign of the government's willingness to invest up to approximately SEK3.5 billion (approximately £349 million at the prevailing exchange rate) in mining-related infrastructure in northern Sweden to facilitate, *inter alia,* the mining sector.

It also showed promise as the train in question stopped at the place where a potential link from our Kallak project could ultimately join the Inlandsbanan line. The fact that the inaugural journey had specifically stopped at this potential future junction point showed that the Swedish authorities are aware of, and appreciate, the potential significance of Kallak.

This is to the credit of all those at Jokkmokk Iron Mines AB ("JIMAB"), our wholly owned and principal Swedish operating subsidiary, who have worked tirelessly during the year not just on drilling operations in the field and associated analysis of the results, but also in other areas such as permitting, logistics, environmental assessments, community relations and the design of potential future open-pit mining and processing facilities.

The Kallak project is a Swedish asset and so it is only proper that a Swedish company, JIMAB, should develop it. JIMAB derives its name from Jokkmokk, the nearest town to Kallak, where it has a regional office reflecting the Group's pride in working in the local area and desire to bring employment to the community and prosperity to the region.

JIMAB completed its drilling campaign at Kallak North in 2012, comprising 23 holes for a total of more than 5,500 metres of drilling.

The assay results were most encouraging with strong iron mineralisation encountered at substantial depths (five of the reported holes reaching lengths in excess of 370 metres) and one inclined hole having mineralisation for an interval from 86.25 metres to 399.40 metres, reaching a total length of 454.65 metres, corresponding to approximately 400 metres vertical depth from ground surface. The average grades were also promising with one hole having a metre section containing 61.2% iron (Fe).

More than 4,000 metres of drill core was selected for analysis but it is evident that further work will need to be performed at Kallak North in order to define the full extent of the ore body. An updated JORC compliant resource estimate for the Kallak North deposit by the independent consultants GeoVista AB and Micon International Co. Limited was completed and received in April 2013.

In November 2012, JIMAB's work plan for Kallak South was approved by the Swedish Mining Inspectorate and initial work commenced briefly in December 2012. JIMAB is seeking to establish whether the ore bodies of Kallak North and South are geologically connected or clearly separated. To date, it appears that the further south Kallak North is drilled the greater the presence of hematite rich sections.

The on-going 2013 Kallak South work programme is fully funded and field operations recommenced in February 2013. The temporary delay was due to the traditional year-end break and the Saami community's request to suspend drilling. In accordance with the terms of the Mining Inspector's work plan decision, the Saami community was entitled to suspend drilling for up to eight weeks in the period from November 2012 to the end of April 2013 and exercised this right in December 2012 such that it was extinguished by the time drilling restarted in early February 2013. The Saami community has appealed against the work plan decision but this is currently being vigorously contested by JIMAB. The Mining Inspectorate has also written to the appropriate regional Court for Land and Environmental issues requesting that the terms of its decision be upheld. We await the Court's decision in due course and in the meantime our work plan remains valid until advised otherwise.

It is regrettable that such work plan issues are brought to a Court by the Saami community rather than openly discussed with us, but such proceedings are relatively common in Sweden and, indeed, wherever mining developments are proposed. JIMAB and Beowulf continue to seek to openly discuss all aspects of their plans for the Kallak project with the local community in Jokkmokk, in Norrbotten County, and with the requisite Swedish authorities.

The Swedish Prime Minister has publicly stated that mining is for Sweden what oil is for Norway, again serving to demonstrate the government's commitment to the industry. We sincerely hope that by discussing our plans in detail with all interested parties, we will be able to convince the local communities of the considerable benefits from mining at Kallak for both the local and national economies.

The potential benefits and importance of the Kallak project have recently been acknowledged by the Geological Survey of Sweden (SGU) via its designation of a significant proportion of the main project area (parts of the Kallak nr1 and Parkijaure nr2 and nr3 licences) as a Swedish Area of National Interest for minerals. This privileged status reflects, *inter alia,* the perceived potential of the project in Sweden and will be of great benefit to our plans to move towards future production.

Whilst drilling continues in earnest at Kallak South, work is also planned on a demarcated area of the Kallak North deposit this summer as the County Administrative Board of Norrbotten granted its permission in October 2012 for up to 2,000 cubic metres of test mining to take place. Indications from previous, smaller scale, metallurgical test sampling programmes, including Davis Tube Recovery tests, on material from Kallak North have shown that, following grinding, concentrate with grades of between 68.9% and 70.3% iron can be produced, ideal for marketable pellet feed, using a relatively straightforward wet, low intensity magnetic separation technique.

JIMAB therefore continues to generate and collate valuable data to aid its planning for potential future production at Kallak. Kallak North already shows considerable commercial potential while information from our on-going Kallak South programme will help determine the mine design and logistical requirements.

We have also been looking at other opportunities in the Kallak area and during the year registered applications for further exploration licences, Kallak nr3 and Parkijaure nr5, as direct extensions to certain of the existing Kallak project licences, which were both subsequently granted.

Ballek joint venture copper-gold project / Other projects

Beowulf remains the operator of the Ballek copper-gold project, alongside its joint venture partner, Energy Ventures Limited. Subject to the requisite funding being available and the necessary work plan approvals being obtained, it remains our intention to conduct an approximate 3,000m drill programme in late 2013 to test deep lying iron oxide copper gold ("IOCG") targets of Olympic Dam type, as previously defined by historical deep sensing geophysical ground surveys carried out by GeoVista AB.

As the Company has continued to concentrate its resources on its wholly owned iron ore assets, its remaining portfolio awaits future development. Other attractive portfolio assets include the Grundträsk gold project and the Munka licence area in northern Sweden, which covers approximately 800 hectares and hosts Sweden's largest, drill confirmed deposit of molybdenum.

The Board continues to look for additional assets to complement the existing portfolio and assess other attractive development opportunities including potential joint venture partners.

Corporate

On 31 October 2012, Agricola Resources plc ("Agricola") announced that its shares were being withdrawn from PLUS, with effect from 1 November 2012, and that its directors were in the process of seeking funding to support a potential acquisition of certain early stage natural resource assets in New Zealand. Accordingly, whilst the Board remains confident that Agricola will ultimately be able to successfully conclude such an acquisition and associated fundraising, it has decided in light of the delisting and current difficult market environment that it is appropriate to recognise an impairment expense of approximately £216,000 in this reporting period in respect of the Company's investment in Agricola's ordinary shares (full impairment) and convertible loan notes (fifty per cent. impairment).

As a consequence of the relinquishment in May 2013 of the Ruoutevare nr1, Manakjaure nr1, Riikalahti nr1, Geddaur nr1, nr2 and nr3 and Ballek nr4 and nr5 exploration permits, in order to concentrate resources on the projects which offer the best potential for generating long term shareholder value, the Company has recognised a further impairment expense of approximately £253,142 in this reporting period.

We remain well funded for the Group's 2013 exploration activities with approximately £3.7 million in cash held at the year end.

Outlook

Looking at mines that could go into production in locations such as Canada or West Africa, it is apparent that Sweden's stability and well established infrastructure is a major advantage. It is also highly advantageous that the likely markets, the steel mills of the EU, are in close proximity and have a requirement for iron. The EU currently has to import approximately 80% of the iron ore it needs for steel production.

Iron ore prices experienced a fraught 2012 falling from approximately US$147 per tonne in April 2012 to a level of approximately US$99 per tonne in September 2012, before recovering to approximately US$150 per tonne by January 2013. Much of this volatility was based upon a misunderstanding of the Chinese economy and the underlying dynamics of the iron ore market where China still needs iron and India is rapidly moving away from being an exporter to an importer. While the EU area still appears to be relatively weak there are encouraging signs in the US that its economy and market demand is improving.

We see a strong requirement for quality iron ore for the foreseeable future and are endeavouring to prove up at both Kallak North and South exactly what is there and how it can potentially be developed, mined, transported and sold to end users.

The Group's steady progress during 2012, against a general backdrop of global economic fragility and uncertainty, is a reflection of the continued hard work of my colleagues, our consultants, contractors and advisers and our loyal supporters to whom we express our appreciation once again.

We look forward to rising to the challenges from the remainder of 2013.

Clive Sinclair-Poulton
Executive Chairman

Review

Of Operations And Activities

Introduction

Sweden remains the largest iron ore (mostly magnetite) producer in the EU and one of the leading producers of base and precious metals. It provides modern, efficient and well-established infrastructure via roads, rail and water and benefits from excellent power accessibility/affordability, a highly skilled mining and exploration workforce, extremely low sovereign risk and a very strong mining culture which has been developed over many decades. Almost all present iron ore production is located in the Norrbotten County of northern Sweden at the Kiruna and Malmberget deep underground mines held by the state owned company, Luossavaara-Kiirunavaara AB (LKAB).

Beowulf has been active in northern Sweden since 2003, concentrating its operations on areas with high exploration potential for iron, copper, gold and molybdenum in the Västerbotten and Norrbotten counties. Further to consistently encouraging exploration results from the Kallak iron ore deposits, this project has become the focus of the Group's exploration and development work in recent years. The Kallak project, a major iron ore discovery, comprises two closely located deposits, Kallak North and Kallak South, and is presently at the development stage. Closely spaced drilling programmes are on-going at both deposits, seeking to better define the size and quality of the

Current permit portfolio: Beowulf, via its subsidiaries, currently holds 14 exploration permits together with one registered application for an exploitation concession, in northern Sweden, as set out in the table below:

Permit Name/ Mineral(s)	Permit ID	Area (km²)	Date Granted/Valid From	Valid Until
Arjeplog Region:				
Ballek nr2 (Cu, Au)*	2005:069	13.59	21/04/2005	21/04/2014
Ballek nr3 (Cu, Au)*	2005:098	4.69	24/05/2005	24/05/2014
Munka nr10 (Mo)^	2009:178	8.00	03/11/2009	03/11/2013
Jokkmokk Region:				
Majves nr3 (Cu)^	2009:019	7.15	21/01/2009	21/01/2014
Parkijaure nr3 (Fe)**	2011:135	4.17	11/08/2011	11/08/2014
Parkijaure nr2 (Fe)**	2008:020	2.85	18/01/2008	18/01/2016
Kallak nr1 (Fe)**µ	2006:197	5.00	28/06/2006	28/06/2016
Kallak nr2 (Fe)**	2011:097	22.19	22/06/2011	22/06/2014
Kallak nr3 (Fe)**	2012:100	5.56	09/08/2012	09/08/2015
Parkijaure nr4 (Cu)**	2012:059	15.71	04/05/2012	04/05/2015
Parkijaure nr5 (Fe)**	2013:036	12.97	04/03/2013	04/03/2016
Nautijaur nr1 (Cu)**	2012:057	106.19	04/05/2012	04/05/2015
Skellefte Mining District:				
Grundträsk nr6 (Au)^	2010:161	15.53	04/11/2010	04/11/2013†
Grundträsk nr4 (Au)^	2008:107	20.63	28/05/2008	28/05/2013†
TOTAL:		**244.23**		

Notes:
* - the Ballek permits are held by the joint venture company, Wayland Copper Limited ("Wayland Copper"), in which Beowulf has a 50 per cent. ownership interest and is the operator.
** - held by Beowulf's wholly owned subsidiary, JIMAB.
^ - held by Beowulf's wholly owned subsidiary, Norrbotten Mining AB ("Norrbotten Mining").
µ - an application for an exploitation concession was lodged on 25 April 2013 (Mines Inspector Official Diary nr 559/2013).
† - extension application has been lodged and approval is pending.

available resource and increase the independent JORC Code compliant resource estimate. A comprehensive application for an exploitation concession for the Kallak North deposit, located within the Kallak nr1 permit area, has recently been submitted to the Swedish Mining Inspectorate. Permission has also been secured from the requisite Swedish authorities for a pilot scale test mining programme on this deposit to obtain large samples for metallurgical testing, which is scheduled to commence this summer.

In late February 2013, the potential benefits and importance of the Kallak project were acknowledged by the Geological Survey of Sweden (SGU) via its designation of a significant proportion of the main project area (parts of the Kallak nr1 and Parkijaure nr2 and nr3 licences) as a Swedish Area of National Interest for minerals. This privileged status reflects, *inter alia,* the perceived potential of the project in Sweden and will be of great benefit to the Company's plans to move towards potential future production.

In early May 2013, in line with the Company's principal strategic focus on the advancement of its promising Kallak North and Kallak South iron ore deposits, the Board decided to relinquish the Group's permit in respect of the Ruoutevare iron ore project, together with certain other non-core exploration permits, in order to reduce exposure to annual permit renewal fees and concentrate resources on the projects which offer the best potential for generating long term shareholder value.

The exploration permits and exploitation concession application are governed by the Swedish Minerals Act (1991:45) (the "Act"), which was subject to amendments in 1993, 1998 and 1999. The Act accords that an exploration permit is granted for an initial period of three years from the date of issue and can be subsequently extended for up to a further three years by way of annual extensions. The period of validity of the permit can be further extended by up to four years on special grounds and, on exceptional grounds, a further maximum of five years. The longest possible period of validity for any one permit is therefore fifteen years, after which an application for an exploitation concession must be made. After each three year period the permit fee per hectare is increased. An exploitation concession is granted for a period of twenty-five years and can be extended by ten years at a time without application if regular exploitation is in progress when the period of validity expires. Further information on the permits can be obtained from the Mining Inspectorate of Sweden (Bergsstaten) in Luleå (Varvsgatan 41, S-972 32, Luleå, Sweden, www.bergsstaten.se).

A brief description of Beowulf's principal projects and exploration activities is provided below.

Kallak Iron Ore Project

The Kallak project is located in the Jokkmokk municipality north of the Arctic Circle, approximately 40km west of Jokkmokk city centre and 80km southwest of the major iron ore mining centre of Malmberget in the Norrbotten County in northern Sweden. The 2.3 billion tonne Kiruna iron ore mine, the world's second largest underground mine, is located approximately 120km to the northeast. LKAB owns and operates the Kiruna and Malmberget iron ore mines, as well as the Luleå-Malmberget-Kiruna-Narvik railway route used to transport iron concentrates and pellets.

With two new permits registered during 2012, the project now covers a total area of approximately 174.64km2, comprising eight separate licences (Kallak nr1, Kallak nr2, Kallak nr3, Parkijaure nr2, Parkijaure nr3, Parkijaure nr4, Parkijaure nr5 and Nautijaur nr1). The project area has steadily been increased since the initial licence, Kallak nr1, was granted in 2006 through to the most recent registration of Parkijaure nr5 in December 2012.

All of the Kallak permits are held by Beowulf's wholly owned subsidiary, JIMAB. However, further to the acquisition in September 2010 of the Parkijaure nr2 and nr3 permits from Tasman Metals Limited ("Tasman"), a Canadian company listed on the Toronto Stock Exchange, the Group is required to pay a net smelter royalty of 1.5 per cent. to Tasman on any future production from these two particular permit areas.

The project area potentially forms a new large mining province in northern Sweden, preliminarily defined by management as the "Jokkmokk Mining District". This province hosts the major Kallak iron ore deposits, as well as a number of still unexplored prospects in a geological environment with high potential to hold further iron-oxide copper-gold ("IOCG") type deposits.

Area description and accessibility

The Kallak project area comprises forested, low hilly ground close to a main paved road between Kvikkjokk (Ruoutevare) and Jokkmokk. Local infrastructure is excellent with all-weather gravel roads passing through the project area and all parts easily reached by well used forestry tracks. A major hydroelectric power station with associated electric power-lines is located only a few kilometres to the south east. There are no human settlements within the project area, with the closest villages being Björkholmen, approximately two kilometres to the northwest, and Randijaur about three kilometres to the east. Transit to and from the area may temporarily, in early spring time and late autumn, be affected by the seasonal migrating routes of reindeer belonging to two local Saami tribes. The nearest railway (the "Inland Railway Line") passes approximately 40km to the east of the deposits. This railway line is connected at Gällivare with the "Ore Railway Line", which is used by LKAB for delivery of their iron ore material to the Atlantic harbour at Narvik (Norway) or to the Botnian Sea harbour at Luleå (Sweden).

The current principal land use is forestry, with the majority of the ground area being owned by a large local forestry company. Regional vegetation is generally comprised of mature pine, birch and spruce trees. The ground elevation varies between 300 and 450m above sea level in an area of undulating forested or logged ground forming a peninsula surrounded by Lake Parkijaure. The highest point is the Råvvåive hill at 481m located in the south east part of the project area.

Kallak North and Kallak South deposits

Iron mineralisation was first discovered in the Kallak area by the SGU in 1947/48. Between 1968 and 1970, detailed ground geophysical surveys were carried out by the SGU over the entire area of interest including closely grid spaced magnetic, gravimetric and electromagnetic measurements. Some limited diamond drilling was also carried out. It was found that two iron ore deposits were present, separated by only a few hundred metres in distance. Located in the same geological structures, recent work by the Company has indicated that the deposits may be connected at depth. The deposits have been defined by the Company as the Kallak North and Kallak South deposits respectively.

The deposits are outcropping and consist of so called *"quartz banded magnetite iron ore type"*, comprised of fine grained banded magnetite and minor hematite, interlayered with quartz, feldspar and some hornblende. The dominant host rock is a grey, altered volcanite. The deposits occur in a north-south oriented syncline of altered sediments and felsic volcanic rocks of early Proterozoic age within granitic gneisses.

The deposits are up to 300m wide at surface outcrop and located on topographically high ground. The northern deposit has a confirmed length extension of more than one kilometre and the southern deposit has a total length of more than two kilometres. Drilling has confirmed, in single drillholes, mineralised vertical depth extensions to more than 300 metres at both deposits. The mineralised structures at both Kallak North and Kallak South are almost vertically dipping generally covered by only shallow (<2 metres) glacial overburden and, as such, are highly amenable to potential open pit mining. Some sections of the Kallak South deposit have, however, been found to be covered by more extensive glacial overburden.

Operations in 2012 and 2013 to date at Kallak

Following initial drilling of 3,757.8m over 32 holes at Kallak North in 2010 and a further 1,234m drilled during 2011, the Company announced a maiden independent JORC Code compliant Inferred Resource estimate of 131.6Mt grading at 28% iron (Fe) in November 2011. This resource estimation was completed by the independent consultants GeoVista AB ("GeoVista") and covered the northern part of Kallak. An exploration target, based on geomagnetic and gravimetric data modelling, was also established for the southern area of approximately 200Mt to 230Mt grading at 31% iron (Fe).

The 2012 drill programme at Kallak North comprised two parts and was successfully completed in accordance with the requisite work plan approved by the Mining Inspector. It was primarily aimed at further determining the strike length and depth extension to both the central and southern sections of the Kallak North deposit, as well as seeking to more precisely define the deposit's eastern and western limits. The initial phase of the programme was completed in July 2012 and comprised approximately 1,572m of drilling predominantly as extensions to eight pre-existing inclined holes. Following formal approval from the County Administrative Board of Norrbotten and the Mining Inspector, JIMAB, then proceeded with the second part of the drill programme with 15 holes being completed comprising approximately 3,977m of drilling. Accordingly, 23 holes, in aggregate, were completed in 2012 on the Kallak North deposit comprising 5,549m of drilling. The analytical results from the drill programme formed the data source for a new upgraded resource estimate by GeoVista for the Kallak North deposit released in early April 2013 (as detailed further below).

In summary, the 2012 drill campaign was successful in defining a significant extension of the Kallak North deposit towards the south. Wide and high grade hematite rich sections were also confirmed in the most southerly extension of the deposit from the new detailed geological evidence obtained. As a result, JIMAB intends to explore this part of the deposit further in 2013, as the southern limit of the deposit remains open and has yet to be completely defined.

Since the northern extension of the Kallak South deposit is also open, future work is planned to attempt to define a possible geological connection between the two deposits.

Metallurgical test work

Metallurgical bench scale tests, including Davis Tube Recovery (DTR) tests, were completed in 2010 by MINPRO AB ("MINPRO") of Strassa, Sweden (www.minpro.se) on ore grade material from drillholes on the Kallak North deposit. The tests were directed towards the production of a high grade magnetite pellet feed product for use by potential clients. Traditional treatment of the ore material by fine grinding and wet magnetic separation resulted in a clean magnetite pellet feed product containing 68.0% iron corresponding to a recovery of 85.1%. The head grade ore material contained 39.8% iron, 33.1% SiO_2, 0.57% MnO, 0.09% P_2O_5, 0.10% TiO_2 and 0.007% S. Further testing of the Kallak North deposit ore material by MINPRO, using flotation techniques combined with wet magnetic separation, resulted in a final, high grade pellet feed product containing 70.4% iron with low levels of contaminants such as phosphorous, manganese, sulphur and titanium. By general industry standards, this product is considered to be of high commercial quality and of direct potential interest to the international steel market.

In 2012, JIMAB commissioned MINPRO to perform further DTR tests, as well as bench scale grinding and magnetic separation test work, on composite samples extracted from six separate sections across the Kallak North deposit guided by advice from Micon International Co. Limited ("Micon"), who were appointed in January 2012 as a technical consultant to work alongside GeoVista. Each section selected, spaced approximately 200m apart, was approximately 50m in length running in an east-west direction across the deposit. The distance between the most northerly and southerly selected intersections was close to 800m. Accordingly, a significant part of the presently known length of the Kallak North deposit has now been tested. Each of the six samples weighed close to 125kg. The main scope of the test work was to establish a variability pattern in the mineral processing versus standardised test work, with the results obtained to be used in planning the test mining programme for the Kallak North deposit and subsequent mineral processing tests in the laboratory and at a pilot scale.

The latest DTR test results were encouraging, producing concentrate with grades varying between 68.9 - 70.3% iron content after grinding to liberation, which confirms that concentrates of a marketable pellet feed composition can be produced using wet, low intensity magnetic separation techniques (WLIMS). Both the DTR tests and the bench scale tests showed that for the southernmost part of the Kallak North deposit, WLIMS will need to be complemented by further separation methods, such as gravity and wet, high gradient magnetic separation techniques (HGMS), in order to recover its hematite content. Further mineral processing studies at a bench scale and pilot scale are planned. Similar bench scale metallurgical studies and DTR tests on ore grade material from the Kallak South deposit will also be commissioned following completion of the ongoing extensive drill campaign.

Application for an Exploitation Concession

In late April 2013, JIMAB submitted its comprehensive application, including a detailed Environmental Impact Assessment (EIA), for an exploitation concession for the Kallak North deposit to the Swedish Mining Inspectorate. In accordance with Swedish mineral legislation and regulations, a concession shall normally be granted if: (i) a mineral deposit has been found which can probably be exploited economically; and (ii) if the location and nature of the deposit does not make it inappropriate that the applicant is granted the concession requested. The assessment process by the appropriate Swedish authorities is currently expected to take four to nine months from the date of application.

Upgraded JORC Code Compliant Resource Estimate for the Kallak North deposit

In early April 2013, an upgraded independent JORC Code compliant resource estimate for the Kallak North deposit was completed by GeoVista. The updated mineral resource estimate showed 88.8Mt Indicated Resources, grading at 27.7% Fe, and 55.3Mt Inferred Resources, grading at 28.2% Fe, modelled and reported at a 20% iron (Fe) cut-off and down to a vertical depth of 200m to 350m, as summarised in the table below:

JORC Resource Category	Tonnes	Grade		
	(Mt)	Fe (%)	S (%)	P (%)
Indicated	88.8	27.7	0.036	0.002
Inferred	55.3	28.2	0.002	0.001

The estimate was based principally on a database of geological and analytical (geochemical) information from 51 diamond drillholes totalling approximately 10,800m of drilling on Kallak North conducted between 2010 and 2012. The database included 3,034 assays for Fe, as well as Phosphorus, Sulphur and other potentially deleterious elements. Drill core sample lengths varied between 0.6m and 9.6m, but were generally under four metres.

GeoVista was assisted in its geological interpretation by independent consultants from Micon and AB Scandinavian GeoPool Limited. The raw assay data was evaluated and composited to 5m lengths, using Gemcom Surpac's software "best fit" function, and used to test modelling algorithms which were compared and checked for validity.

GeoVista considers that there is potential for further tonnage to be discovered at depth in the southern and northern parts of the Kallak North deposit and has therefore recommended, *inter alia,* that JIMAB conduct further drilling on the deposit and seek to obtain a better understanding of the distribution and proportion of magnetite/hematite in the different parts of the mineralisation.

Kallak North work plans for 2013

In line with GeoVista's abovementioned recommendation, in early April 2013, JIMAB filed and notified a new work plan in respect of a planned additional 40 hole exploratory drilling programme of up to approximately 11,000m at Kallak North. The principal objective of the programme is to ascertain the extent of the ore zones at greater depths at the northern and southern parts of the deposit.

A detailed work plan was also notified and disseminated to the Mining Inspector and relevant land owners and users setting out JIMAB's planned test mining operations this summer on a defined area of the Kallak North deposit.

As no objections to the aforementioned notified work plans were received within the statutory time period, they became legally valid. Accordingly, JIMAB commenced drilling operations at the Kallak North deposit in May 2013.

The test mining operations will include, *inter alia,* limited forest clearing, till removal, the cleaning of exposed bedrock (for geological mapping), drilling and blasting of 16 test pits and road transport by truck of approximately 400 tonnes of mineralised material to a pilot plant in Finland. The sampling of mineralised material for metallurgical test work will guide and facilitate the design of future mineral processing procedures and facilities, as well as generating final product samples for testing by potential future customers.

Kallak South 2012/13 drill campaign

In late November 2012, the Mining Inspector approved JIMAB's work plan in respect of its fully funded extensive 2012/13 Kallak South drilling campaign. JIMAB proceeded to issue formal notice to the local Saami community of its intention to initiate drilling operations within the Parkijaure nr2 and Kallak nr1 permit areas in early December 2012. Operations were planned to commence in the northern part of the Kallak South deposit, where frozen ground conditions were required in order to minimise the environmental impact from deployment of the drill rigs on to the selected drill sites.

The campaign is principally targeting a maiden JORC Code compliant resource estimate for the Kallak South deposit as well as seeking to determine whether the Kallak South and Kallak North deposits are geologically connected.

JIMAB conducted limited snow clearing operations and drill site access preparation works prior to receiving a request from the Saami community to temporarily suspend operations. In accordance with the terms of the Mining Inspectorate's approval of the requisite work plan, the Saami community was entitled to request such a suspension for up to a maximum of eight weeks in the period to the end of April 2013. Following expiry of the eight week suspension entitlement, JIMAB served notice of its intention to recommence its operations in early February 2013.

In January 2013, JIMAB was informed that the local Saami community in Jokkmokk had lodged an appeal with the Court for Land & Environmental Issues (the "Court") in Umeå in respect of the approved work plan. Nevertheless, since the Mining Inspector's decision was effective immediately, regardless of whether an appeal was lodged within the requisite time period, the work plan currently remains valid until JIMAB is advised otherwise by the Court.

By late May 2013, approximately 4,000m had been drilled with two rigs operational on site. Dependent on conducive summertime ground conditions at the planned individual drillhole locations, JIMAB is currently targeting the completion of up to approximately a further 2,000m of drilling prior to the scheduled expiry of the current work plan at the end of October 2013. Subject to analysis of the results from this, in aggregate, intended 6,000m of initial drilling with the Company's retained consultants, it is currently expected that the balance of the up to total 19,000m programme will form part of a future JIMAB work plan(s) in due course. It is currently envisaged that a maiden independent JORC Code compliant resource estimate for the northern part of Kallak South will be commissioned based on the initial phase of up to 6,000m of drilling. Initial assays are expected to be received in the third quarter of 2013.

Ballek Copper-Gold Project

The Ballek project has previously comprised four exploration permits (Ballek nr2, Ballek nr3, Ballek nr4 and Ballek nr5) in the Arjeplog municipality of the Västerbotten County in northern Sweden. The permits are held by Wayland Copper, a private company which is owned jointly and equally by Beowulf and its joint venture partner, Energy Ventures Limited ("EVE"). Beowulf assumed the role of operator in February 2011.

Further to an assessment with EVE of the development options for the project, in early May 2013 a decision was made to relinquish the Ballak nr4 and nr5 permits and reduce the areas retained under the Ballak nr2 and nr3 permits from 38km² and 37.94km² to 13.59km² and 4.69km² respectively, thereby reducing the annual renewal fees and focusing resources on the most promising exploration targets.

The retained project area contains the Lulepotten deposit on the Ballek nr2 permit area on which a maiden JORC Code compliant Inferred Resource estimate was compiled and reported in September 2008 of 5.4Mt, grading at 0.8% Cu and 0.3g/t Au, representing a total of 43,000 tonnes of contained copper metal and 52,000 ounces of contained gold at a cut-off value of 0.3% for copper. A number of further registered minor copper deposits are also known within the area.

Wayland Copper has recently notified and disseminated a work plan to the Mining Inspector and the relevant land owners and users in respect of a 3,000m drill programme which is currently intended to be conducted on defined targets at both the retained Ballek nr2 and nr3 permit areas in late 2013. This planned drilling programme will primarily seek to test the previously indicated copper targets at increased depths, as defined by historical deep sensing geophysical ground surveys completed by GeoVista. In particular, it will be targeting some pronounced deep lying Induced Polarisation (IP) targets located close to the previously identified copper-gold targets of Kvarnbäcken and Sågberget in the central parts of the project area.

Grundträsk Project

The Grundträsk project, focused solely on gold, comprises two exploration permits (Grundträsk nr4 and Grundträsk nr6). The project covers a total area of approximately 36km² located in the Skellefte Mining District of northern Sweden. There is little outcrop and the land is currently used for forestry. There is good infrastructure in place, with the area being served by a network of forest roads, including the paved main road from Skellefte to Malå, which passes through the licence area. Water and electricity supplies are also both available locally. Grundträsk has potential for a shallow depth gold resource, with gold bearing sulphide mineralisation starting at shallow depths of less than 12 metres, suggesting that any deposit will most likely be amenable to open pit mining.

Exploration results to date indicate the presence of sigmoidal gold bearing structures in a mineralised corridor over a strike length of 800 metres. Historic drilling has returned gold grades of 5.2m at 4.28 g/t, 4.62m at 2.8 g/t, 5.7m at 2.53 g/t and 16.9m at 1.86 g/t.

In 2010, the Company commissioned GeoVista to conduct an overview of historical diamond drilling by the Company at Grundträsk and reprocess and interpret all available ground geophysical data with a view to outlining the next phase of exploration work including potential diamond drilling to further define gold targets of possible economic interest.

GeoVista's report outlined a number of recommendations for future work. Specifically, a more systematic diamond drilling programme in grid based profiles across the pronounced IP anomaly, which historic drilling has proven to host sulphide and gold mineralisation. In order to obtain a better resolution and sensing of deeper structures to guide drilling, it was suggested that three lines of spectral IP with dipole-dipole configuration be carried out across the main Grundträsk IP anomaly. A pronounced undrilled IP anomaly was also outlined in the Grundträsk nr6 permit area.

Norrbotten Mining, the Company's Swedish subsidiary, has recently submitted extension applications in respect of its Grundträsk nr4 and Grundträsk nr6 permits which remain pending. Subject to such extensions being granted in due course, Norrbotten Mining intends to submit a routine work plan to the Mining Inspector outlining additional exploration work including a potential future 2,000m drilling programme on the Grundträsk project area in order to further define the widths and extensions of the existing gold targets.

Majves Project

The Majves nr3 exploration permit was obtained in 2009 and has recently been renewed for a further year. The project is located in the Jokkmokk area and is targeting an IOCG deposit. Beowulf has been exploring in the area since 2003 and it was historically the subject of a joint venture with the copper major, Phelps Dodge Exploration Sweden AB ("Phelps Dodge"). Drilling in 2004 intersected 110m at 0.42% copper and 0.52 g/t of gold. Follow up drilling in 2005 was less successful resulting in Phelps Dodge's withdrawal from the joint venture.

The exploration logic is that the area is associated with large north-east south-west fracture zones and similar structures are associated with Boliden AB's Aitik copper mine. Beowulf has had historic discussions with a major copper producer concerning a possible new joint venture arrangement, but to date no such joint venture has been completed. No field work was carried out by the company in this project area during the reporting period.

Munka Project

The Munka molybdenum deposit is located in the municipality of Arjeplog approximately 40km north of the Ballek project area. The deposit has been confirmed from historic drilling to extend over 800m in length with parallel mineralised lenses of varying width in excess of 20m. Between 1973 and 1977, a total of 67 holes were drilled by the SGU for approximately 10,000m. Based on the results of this historic drilling, the SGU estimated resources at up to 100m depth to be 1.7 million tonnes at 0.156% molybdenum (Mo). This historic estimate does not comply with current JORC Code or 43-101 international standards. At the estimated tonnage, the Munka deposit represents the largest molybdenum deposit in Sweden with the available data indicating that the deposit may be significantly larger.

Beowulf has now reviewed all of the available data on the Munka deposit registered at the SGU's offices at Malå, parts of which had not previously been reviewed. All drill cores presently stored at the SGU's offices have been reviewed and rechecked with further complementary analysis subject to Beowulf's control. With additional control studies in the field and some further limited drilling, Beowulf anticipates being able to rapidly achieve a JORC Code compliant resource estimate.

Additional field studies were conducted in the project area during 2012 and new drill sites were laid out and registered by the Company for a potential future drill programme. The most recent licence extension was granted by the Mining Inspector until 3 November 2013.

Report
of the Directors

The directors present their report together with the audited financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITY

The principal activity of the Group in the year under review was that of exploration for world-class iron, copper and gold deposits. Exploration activities are primarily carried out in Sweden, but the Group is controlled, financed and administered within the United Kingdom which remains the principal place of business.

REVIEW OF BUSINESS

A full review of the Group's activities during the year, recent events and expected future developments are contained in the Chairman's Statement and Review of Operations and Activities on pages 3 to 12. The results of the Group for the year are set out on page 24 and show a loss after taxation for the year of £1,295,692 (2011: £832,235).

HIGHLIGHTS

Kallak iron ore project:

- 2012 drill programme completed on Kallak North comprising 23 holes for a total of 5,549m of drilling. Assay results in respect of the more than 4,000m of cores selected for analysis show further significant iron mineralisation encountered extending over significant lengths and substantial vertical depth from the ground surface.
- Metallurgical studies, including Davis Tube Recovery tests, conducted on large samples from across the Kallak North deposit confirmed that concentrates of a marketable pellet feed composition can be produced using a relatively straightforward wet, low intensity magnetic separation technique.
- Preparation of an updated JORC compliant resource estimate for the Kallak North deposit by the independent consultants GeoVista AB and Micon International Co. Limited was completed and received in April 2013.
- Fully funded, extensive Kallak South drill programme is in progress principally targeting a maiden JORC compliant resource estimate for the Kallak South deposit as well as seeking to confirm whether the Kallak South and Kallak North deposits are geologically connected.
- Test mining sampling programme expected to commence on a defined area of the Kallak North deposit this summer following approval in October 2012 of the requisite application by the County Administrative Board of Norrbotten.
- Mineralisation present in a significant proportion of the Kallak North and Kallak South deposits designated as an Area of National Interest by the Swedish authorities.

Corporate:

- Nil revenue (2011: Nil), loss before and after taxation of £1,295,692 (2011: £832,235) and basic loss per share of 0.62p (2011: 0.50p).
- Approximately £3.7 million in cash held at the year end.

GOING CONCERN

The Directors have considered the cash flow requirements of the Group over the next 12 months. The Group will be able to finance its operational costs, but will need to raise additional funds if it is to continue exploration and development as planned. Whilst it is difficult in the current economic downturn 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.

SUBSTANTIAL SHAREHOLDINGS

The directors are aware of the following who were interested, directly or indirectly, in 3% or more of the Group's ordinary shares on 31 December 2012:

Sunvest Corporation Limited - 11,250,000 shares (5.35%)
Mrs C C Rowan - 10,189,485 shares (4.84%)

AUTHORITY TO ISSUE SHARES

Each year at the AGM the Directors seek authority to allot shares. The authority, when granted, lasts until the next AGM. At the last AGM held on 29 June 2012, shareholders gave authority for the Directors to allot equity securities for cash up to an aggregate nominal value of £315,641.

HEALTH AND SAFETY

There were no reported personal injuries or fatalities among the Company's staff or contractors during the year.

SIGNIFICANT AGREEMENTS

The Companies Act 2006 requires the Company to disclose any significant agreements which take effect, alter or terminate upon a change of control of the Company. The Company is not aware of, or party to, any such agreement.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2012.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors during the year under review were:

Mr C Sinclair-Poulton
Dr Jan-Ola Larsson
Mr F Boman
Mr A C R Scutt
Mr E Taylor

The beneficial and other interests of the directors holding office on 31 December 2012 in the issued share capital of the Company were as follows:

Ordinary 1p shares

	31.12.12	1.1.12
Mr C Sinclair-Poulton[1]	1,332,500	1,332,500
Dr Jan-Ola Larsson	650,000	650,000
Mr A C R Scutt[2]	475,000	475,000
Mr F Boman	-	-
Mr E Taylor[3]	294,506	294,506

Notes:

1. Includes 100,000 shares held by Merchant Adventures Company Limited, a company of which Mr Sinclair-Poulton is a director and shareholder.
2. Includes 100,000 shares held by his spouse; 275,000 shares held by Scutt/Rickwood, in Mr Scutt's capacity as a trustee of an investment club; and 100,000 shares held by Scutt/Robinson, in Mr Scutt's capacity as a trustee of an investment club.
3. Includes 169,506 shares held by his spouse.

Ordinary shares under option	Number	Exercise price	Expiry date
Mr A C R Scutt	250,000	7p	24 Sept 2015
Mr E Taylor	250,000	7p	24 Sept 2015
Mr C Sinclair-Poulton	1,500,000	30p	7 Dec 2016
Dr Jan-Ola Larsson	700,000	30p	7 Dec 2016
Mr F Boman	700,000	30p	7 Dec 2016
Mr E Taylor	290,000	30p	7 Dec 2016

INFORMATION ON DIRECTORS

Clive Sinclair-Poulton
Executive Chairman

Aged 57, Mr Sinclair-Poulton studied law at Cambridge University graduating in 1978, before starting a twenty year career in investment banking in London with Citibank and Security Pacific (now Bank of America) as well as stockbrokers Hoare Govett.

After founding and then selling a stockbroking firm Mr Sinclair-Poulton became a founding shareholder and the Executive Chairman of AIM traded themutual.net (AIM:TMN). He has been involved in natural resources for more than fifteen years.

Most recently, Mr Sinclair-Poulton was a founding member of Tanzania Gold Limited which, following a reverse take-over, was first renamed Tanzania Gold plc before becoming Bezant Resources plc. He was CEO of AIM listed Bezant Resources plc (AIM:BZT), with copper and gold assets in Tanzania and the Philippines, until he stepped down in February 2008. He is also Executive Chairman of Agricola Resources plc and a director of both Kazakh Resources Limited and South Island Developments Limited and currently resides in Ireland.

Anthony Scutt ACIS
Non-executive Director

Aged 73, Mr Scutt is a Chartered Secretary and a Certified Internal Auditor with the U.S. Institute of Internal Auditors. He has 34 years of financial management experience with Shell International Petroleum, working in many parts of the world, including Madagascar, East and Central Africa, Gabon,Vietnam, Cambodia, the Philippines, and latterly as the Chief Internal Auditor of Shell U.K.

Mr Scutt then went on to become an investment analyst, writer and investor, and was one of the very first investors and supporters of Beowulf. He is also a director of Starvest plc, Agricola Resources plc and Non-Executive Director of Oracle Coalfields plc.

Jan-Ola Larsson
Technical Director

Aged 71, Dr Larsson holds a geology degree from Uppsala University in Sweden and a PhD in geochemistry from Imperial College of Science and Technology, London University.

Dr Larsson has over 30 years of varied experience in Canada, Brazil and Sweden. Previously held positions include Head of Geochemistry at Geological Survey of Sweden, LKAB Exploration Company and Barringer Research Ltd., and Exploration Manager for Tetron Mineracao S/A and North Star Diamonds AB. Dr Larsson is also a director of All Star Minerals plc.

Fred Boman
Production Director

Aged 69, Mr Boman holds an MSc. degree in Mining and Mineral Processing from the Royal Institute of Technology (KTH), Stockholm, Sweden. He has more than 35 years' experience in the mining industry with over 25 years' service in various senior management positions both in Sweden and overseas. His previous positions include Vice President and Head of Engineering and R&D at Boliden AB, President and CEO of Boliden International Mining AB, CEO and President of Midroc Gold Limited and Managing Director of Dragon Mining Sweden AB.

Mr Boman currently serves on the board of a number of private companies and is a member of the Association for Mining and Metallurgical Engineers of Sweden. He is also a qualified person accredited by the Swedish Mining Association

Edward Taylor
Non-executive Director and Company Secretary

Aged 65, Mr Taylor has worked in various accounting, human resources, administration and Company Secretary positions in the natural resources sector. He has worked for Hardy Oil & Gas (now British Borneo Oil and Gas plc), Enterprise Oil plc and LASMO (now AGIP (UK) plc).

Mr Taylor is a Director of All Star Minerals plc and Non-executive Director of the following companies: U3O8 Holdings Plc, Valiant Investments Plc, Brumby Gold plc, Tearne Foulsham Limited, Drummond Minerals plc, Blue Doe Gold plc, and Southern Star Investments Plc.

GROUP'S POLICY ON PAYMENT OF CREDITORS

It is the Group's policy to pay suppliers within their respective credit terms. At the balance sheet date trade payables outstanding represented 14 creditor days (2011: 23 days). Further details of the payment policy can be obtained by writing to the registered office of the Group.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and cash equivalents, investments and financial assets and various items such as trade receivables, trade payables, accruals and prepayments that arise directly from its operations.

The main purpose of these financial instruments is to finance the Group's operations. The Board regularly reviews and agrees policies for managing the level of risk arising from the Group's financial instruments which are summarised as follows:

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

Credit Risk

The Group's principal financial assets are the cash and cash equivalents, and the loans and taxation receivables as recognised in the balance sheet, and which represent the Group's maximum exposure to credit risk in relation to financial assets.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings in financial instruments.

Capital Management

The Group's capital consists wholly of ordinary shares. The Board's policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, whilst balancing these objectives with the efficient use of capital.

Commodity Price Risk

The principal activity of the Group is the exploration for iron, copper and gold in Sweden, and the principal market risk facing the Group is an adverse movement in the price of such commodities. Any long term adverse movement in commodity prices would affect the commercial viability of the Group's various projects.

REMUNERATION REPORT

Introduction

This report has been prepared in accordance with the requirements of Schedules 2 Part 1 to the Companies Act 2006 (the Schedule) and also meets the requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' Remuneration. In accordance with Section 439 of the Companies Act 2006 (the Act), a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the Financial Statements are to be approved.

Section 495 of the Act requires the auditors to report to the Company's members on the 'auditable part' of the Directors Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with Part 3 of the Schedule. This report has therefore been divided into separate sections for unaudited and audited information.

Unaudited information

Remuneration Policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the necessary calibre and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration packages is undertaken by the Remuneration Committee. The remuneration of Non-executive Directors is determined by the Board within the limits set in the Articles of Association.

Executive Directors are entitled to accept appointments outside the Company providing the Board's permission is sought.

Non-executive Directors' terms of engagement

The Non-executive Directors have specific terms of engagement. Their remuneration is determined by the Board. In the event that a Non-executive undertakes additional assignments for the Company, the Non-executive's fee will be agreed by the Company in respect of each assignment.

Audited information

Aggregate Directors' Remuneration

The remuneration paid to the Directors, in accordance with their agreements, during the year ended 31 December 2012 was as follows:

	Salary & fees £	Pensions £	Termination benefits £	Share based payments £	2012 Total £	2011 Total £
Executive						
Mr C Sinclair-Poulton[1]	166,898	-	-	-	166,898	251,843
Dr J-O Larsson[2]	90,000	-	-	-	90,000	95,068
Mr F Boman	-	-	-	-	-	10,693
Non-Executive						
Mr A C R Scutt	30,831	-	-	-	30,831	25,542
Mr E Taylor	-	-	-	-	-	4,430

Notes:

1. Fees for Mr C Sinclair-Poulton include an amount of £82,581 paid through Merchant Adventurers Company Limited.
2. Fees for Dr J-O Larsson were paid through Geoexperten.

Each Director is also paid all reasonable expenses incurred wholly, necessarily and exclusively in the proper performance of his duties. The Group does not operate a pension scheme and has not paid any contributions to any pension scheme for Directors or employees.

CORPORATE GOVERNANCE REPORT

Corporate Governance and board composition

Effective corporate governance is a priority of the Board and outlined below are details of how the Company has applied the principles set out in The UK Corporate Governance Code (the 'Code') effective for fully listed companies from June 2010, which replaced the Combined Code on Corporate Governance revised in July 2006 by the Financial Reporting Council. Under the rules of AIM, a market operated by the London Stock Exchange plc, the Company is not required to comply with the Code and the Board considers that the size of the Group does not warrant compliance with all of the Code's requirements. The Board fully supports the principles on which the Code is based and seeks to comply with best practice in such respects as they consider appropriate for a Group of its size and nature. The Board has a wide range of experience directly relevant to the Group and its activities and its structure ensures that no one individual or Group dominates the decision making process.

Audit Committee

The Board has established an Audit Committee which comprises Anthony Scutt and Ed Taylor, the two non-executive Directors. The Audit Committee ensures the good operation of financial practices throughout the Group; ensures that controls are in place to protect the Group's assets and to ensure the integrity of financial information; reviews the interim and annual financial statements; reviews all aspects of the audit programme and provision of any non-audit services by the auditors.

Remuneration Committee

The Board has established a Remuneration Committee, which comprises Anthony Scutt and Ed Taylor, the two Non-executive Directors, and is responsible for establishing the policies of executive remuneration and determining the remuneration and benefits of the individual executive directors. The Board is responsible for establishing the policies of remuneration and determining the remuneration and benefits of the individual non-executive directors.

Nominations Committee

The Board has not established a Nominations Committee as the Board considers that a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole. The Board assesses the experience, knowledge and expertise of potential directors before any appointment is made and adheres to the principle of establishing a Board comprising directors with a blend of skills, experience and attributes appropriate to the Group and its business. The main criterion for the appointment of directors is an ability to add value to the Group and its business. All directors appointed by the Board are subject to election by shareholders at the next Annual General Meeting of the Company following their appointment. The Board will review the utility of a Nominations Committee as it enters the next stage of its development, and one will be established if and when considered appropriate by the Board.

Share dealing

The Group has adopted a share dealing code for Directors and relevant employees in accordance with the AIM Rules for Companies and takes proper steps to ensure compliance by the Directors and those employees.

Relations with Shareholders

The Board recognises that it is accountable to shareholders for the performance and activities of the Group. Beowulf communicates with its shareholders principally through its web site at www.beowulfmining.com and the interim and Annual Reports. Shareholders can also sign up to receive news releases directly from the Group by email. Annual General Meetings of the Company give the directors the opportunity to report to shareholders on current and proposed operations and enable shareholders to express their views on the Group's business activities.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The principal risks faced by the Group are as follows:

- The ability to raise sufficient funds to continue with the exploration of its exploration licences/permits.
- Long term adverse changes in commodity prices could affect the viability of exploration and extraction projects.
- The operations of the Group are in a foreign jurisdiction where there may be a number of associated risks over which it will have no control. These may include economic, social or political instability or change, taxation, rates of exchange, exchange controls and exploration licensing.
- The exploration licences may be subject to conditions which, if not satisfied, may lead to the revocation of the licences.
- The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which undergo exploration are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities of minerals disclosed will be available to extract. With all mining operations there is uncertainty and hence risk, associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

The auditors, Price Bailey LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Group's forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The Group's next Annual General Meeting will be held at 1.30 p.m. on 4 July 2013 and full details of the proposed resolutions at that meeting can be found in the separate Notice accompanying the annual report and consolidated financial statements.

ON BEHALF OF THE BOARD:

Mr E Taylor - Director
Date: 10 June 2013

Report
of the Independent Auditors

We have audited the financial statements of Beowulf Mining plc Group of Companies for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, the Review of Operations and Activities and the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Exploration costs

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 9 to the financial statements concerning the valuation of the exploration costs. The ability of the Group to continue its exploration activities and justify sufficient value to justify the carrying value of the intangible assets is dependent on them being able to generate sufficient funds. Based upon the current economic climate there exists a material uncertainty which may cast significant doubt as to whether the Group will be able to generate sufficient funds and therefore the Group's ability to continue all of its exploration activities. The financial statements do not include the adjustments that would be necessary if the Group was unable to raise these funds.

Emphasis of matter - Agricola Resources Plc

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 11 and 12 in relation to the recovery of the investment and loans to Agricola Resources Plc, a related party. Agricola Resources Plc currently has net liabilities and its shares were withdrawn from PLUS with effect from 1 November 2012. Its directors are in the process of seeking funding to support a potential acquisition of certain early stage natural resource assets, the ultimate outcome of such efforts cannot presently be determined. Within these financial statements the investment has been re-valued from £80,750 to nil, and a 50% impairment provision of £135,000 has been made against the loan of £270,000.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Martin Clapson FCA (Senior Statutory Auditor)
for and on behalf of Price Bailey LLP
Chartered Accountants & Statutory Auditors
Richmond House
Ely
Cambridgeshire
CB7 4AH
Date: 10 June 2013

Consolidated
Income Statement

	Notes	2012 £	2011 £
CONTINUING OPERATIONS			
Revenue	2	-	-
Administrative expenses		(1,371,929)	(845,452)
OPERATING LOSS		(1,371,929)	(845,452)
Finance costs	4	(574)	-
Finance income	4	76,811	13,217
LOSS BEFORE INCOME TAX	5	(1,295,692)	(832,235)
Income tax	6	-	-
LOSS FOR THE YEAR		(1,295,692)	(832,235)
Loss attributable to:			
Owners of the parent		(1,295,692)	(832,235)
Loss per share expressed in pence per share:	8		
Basic		-0.62	-0.50
Diluted		-0.60	-0.49

The notes form part of these financial statements

Consolidated

Statement of Comprehensive Income

	2012 £	2011 £
LOSS FOR THE YEAR	(1,295,692)	(832,235)
OTHER COMPREHENSIVE INCOME		
Revaluation of listed investments	(84,509)	(51,406)
Exchange translation difference	(32,305)	(193)
Income tax relating to components of other comprehensive income	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	(116,814)	(51,599)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(1,412,506)	(883,834)
Total comprehensive income attributable to:		
Owners of the parent	(1,412,506)	(883,834)

ACCOUNTS

The notes form part of these financial statements

Consolidated

Statement of Financial Position

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	3,334,910	2,304,347
Property, plant and equipment	10	769	607
Investments	11	25,349	109,858
Loans and other financial assets	12	194,937	270,000
		3,555,965	2,684,812
CURRENT ASSETS			
Trade and other receivables	13	201,756	197,470
Cash and cash equivalents	14	3,697,771	6,050,960
		3,899,527	6,248,430
TOTAL ASSETS		7,455,492	8,933,242
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	2,104,273	2,104,273
Share premium	16	10,858,905	10,858,905
Revaluation reserve	16	(99,651)	(15,142)
Capital contribution reserve	16	46,451	46,451
Share scheme reserve	16	67,760	68,317
Translation reserve	16	(32,498)	(193)
Retained earnings	16	(5,724,498)	(4,429,363)
TOTAL EQUITY		7,220,742	8,633,248
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	234,750	299,994
TOTAL LIABILITIES		234,750	299,994
TOTAL EQUITY AND LIABILITIES		7,455,492	8,933,242

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2013 and were signed on its behalf by:

Mr E Taylor - Director

The notes form part of these financial statements

Company
Statement of Financial Position

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	-	439,993
Property, plant and equipment	10	769	607
Investments	11	260,053	339,867
Loans and other financial assets	12	3,839,063	1,956,115
		4,099,885	2,736,582
CURRENT ASSETS			
Trade and other receivables	13	101,393	170,065
Cash and cash equivalents	14	3,340,218	6,046,244
		3,441,611	6,216,309
TOTAL ASSETS		7,541,496	8,952,891
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	2,104,273	2,104,273
Share premium	16	10,858,905	10,858,905
Revaluation reserve	16	(125,315)	(40,806)
Capital contribution reserve	16	46,451	46,451
Share scheme reserve	16	67,760	68,317
Retained earnings	16	(5,471,059)	(4,383,263)
TOTAL EQUITY		7,481,015	8,653,877
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	60,481	299,014
TOTAL LIABILITIES		60,481	299,014
TOTAL EQUITY AND LIABILITIES		7,541,496	8,952,891

These financial statements were approved and authorised for issue by the Board of Directors on 10 June 2013 and were signed on its behalf by:

Mr E Taylor - Director

The notes form part of these financial statements

ACCOUNTS

Consolidated

Statement of Changes In Equity

	Called up share capital £	Retained earnings £	Share premium £	Revaluation reserve £
Balance at 1 January 2011	1,597,966	(3,611,606)	3,904,399	36,264
Changes in equity				
Loss for the year	-	(832,235)	-	-
Issue of share capital	506,307	-	6,954,506	-
Equity-settled share-based payment transactions	-	-	-	-
Share options exercised	-	14,478	-	-
Other comprehensive income	-	-	-	(51,406)
Balance at 31 December 2011	2,104,273	(4,429,363)	10,858,905	(15,142)
Changes in equity				
Loss for the year	-	(1,295,692)	-	-
Share options lapsed	-	557	-	-
Other comprehensive income	-	-	-	(84,509)
Balance at 31 December 2012	2,104,273	(5,724,498)	10,858,905	(99,651)

	Capital contribution reserve £	Share scheme reserve £	Translation reserve £	Total equity £
Balance at 1 January 2011	46,451	28,871	-	2,002,345
Changes in equity				
Loss for the year	-	-	-	(832,235)
Issue of share capital	-	-	-	7,460,813
Equity-settled share-based payment transactions	-	53,924	-	53,924
Share options exercised	-	(14,478)	-	-
Other comprehensive income	-	-	(193)	(51,599)
Balance at 31 December 2011	46,451	68,317	(193)	8,633,248
Changes in equity				
Loss for the year	-	-	-	(1,295,692)
Share options lapsed	-	(557)	-	-
Other comprehensive income	-	-	(32,305)	(116,814)
Balance at 31 December 2012	46,451	67,760	(32,498)	7,220,742

The notes form part of these financial statements

Company

Statement of Changes in Equity

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 January 2011	1,597,966	(3,566,586)	3,904,399
Changes in equity			
Loss for the year	-	(831,155)	-
Issue of share capital	506,307	-	6,954,506
Equity-settled share-based payment transactions	-	-	-
Share options exercised	-	14,478	-
Other comprehensive income	-	-	-
Balance at 31 December 2011	2,104,273	(4,383,263)	10,858,905
Changes in equity			
Loss for the year	-	(1,088,353)	-
Share options lapsed	-	557	-
Other comprehensive income	-	-	-
Balance at 31 December 2012	2,104,273	(5,471,059)	10,858,905

	Revaluation reserve £	Capital contribution reserve £	Share scheme reserve £	Total equity £
Balance at 1 January 2011	36,264	46,451	28,871	2,047,365
Changes in equity				
Loss for the year	-	-	-	(831,155)
Issue of share capital	-	-	-	7,460,813
Equity-settled share-based payment transactions	-	-	53,924	53,924
Share options exercised	-	-	(14,478)	-
Other comprehensive income	(77,070)	-	-	(77,070)
Balance at 31 December 2011	(40,806)	46,451	68,317	8,653,877
Changes in equity				
Loss for the year	-	-	-	(1,088,353)
Share options lapsed	-	-	(557)	-
Other comprehensive income	(84,509)	-	-	(84,509)
Balance at 31 December 2012	(125,315)	46,451	67,760	7,481,015

The notes form part of these financial statements

Consolidated

Statement of Cash Flows

	Notes	2012 £	2011 £
Cash flows from operating activities			
Cash generated from operations	1	(974,621)	(626,442)
Interest paid		(574)	-
Consolidation exchange rate fluctuation		(17,763)	(193)
Net cash from operating activities		(992,958)	(626,635)
Cash flows from investing activities			
Purchase of intangible fixed assets		(1,298,255)	(932,350)
Purchase of tangible fixed assets		(419)	-
Purchase of fixed asset investments		(59,937)	-
Loans to related parties		(27,871)	(70,386)
Funding of joint venture		(31,117)	(16,213)
Convertible loan note issued		-	(250,000)
Related party loans repaid		-	250,000
Interest received		57,361	3,142
Net cash from investing activities		(1,360,238)	(1,015,807)
Cash flows from financing activities			
Share issue		-	7,964,333
Cost of share issue		-	(503,520)
Net cash from financing activities		-	7,460,813
(Decrease)/increase in cash and cash equivalents		(2,353,196)	5,818,371
Cash and cash equivalents at beginning of year	2	6,050,967	232,589
Cash and cash equivalents at end of year	2	3,697,771	6,050,960

The notes form part of these financial statements

Notes

To the Consolidated Statement of Cash Flows

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2012	2011
	£	£
Loss before income tax	(1,295,692)	(832,235)
Depreciation charges	257	203
Equity-settled share-based transactions	-	53,924
Impairment of exploration costs	253,142	5,171
Impairment of related party loan	135,000	-
Finance costs	574	-
Finance income	(76,811)	(13,217)
	(983,530)	(786,154)
Decrease in trade and other receivables	38,820	28,151
(Decrease)/increase in trade and other payables	(29,911)	131,561
Cash generated from operations	(974,621)	(626,442)

2. CASH AND CASH EQUIVALENTS

The amount disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

Year ended 31 December 2012	2012	2011
	£	£
Cash and cash equivalents as previously reported	3,697,771	6,050,960
Effect of exchange rate changes	-	7
Cash and cash equivalents as restated	3,697,771	6,050,967

Year ended 31 December 2011	2011	2010
	£	£
Cash and cash equivalents as previously reported	6,050,960	232,589
Effect of exchange rate changes	-	-
Cash and cash equivalents as restated	6,050,960	232,589

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

The notes form part of these financial statements

Notes

To the Consolidated Financial Statements

ACCOUNTS

1. 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 primarily is involved in the exploration for world-class iron, copper and gold deposits.

Going concern

The Directors have considered the cash flow requirements of the Group over the next 12 months. The Group will be able to finance its operational costs, but will need to raise additional funds if it is to continue exploration and development as planned. Whilst it is difficult in the current economic downturn 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.

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 year 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.

1. ACCOUNTING POLICIES - continued

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 balance sheet under intangible assets and amortised over the expected period of extraction of minerals 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 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 provisions for 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 balance sheet 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.

Notes

To the Consolidated Financial Statements - continued

1. ACCOUNTING POLICIES - continued

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 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 balance sheet 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.

Notes

To the Consolidated Financial Statements - continued

1. ACCOUNTING POLICIES - continued

New standards and interpretations applied

In preparing these financial statements the Company has reviewed all new standards and interpretations, but there are no standards effective for the year commencing 1 January 2012 requiring new interpretations to be applied.

New Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements:

- IAS 12 Income Taxes (amended 2010) - limited scope amendment
- IFRS 7 Financial Instruments (amended 2010) - annual review of IFRSs

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year commencing 1 January 2012 and have not been applied in preparing these financial statements:

- IAS 1 Presentation of Financial Statements (amended 2011 and 2012)
- IAS 16 Property, Plant and Equipment (amended 2012)
- IAS 19 Employee Benefits (amended 2011)
- IAS 27 Separate Financial Statements (amended 2011 and 2012)
- IAS 28 Investments in Associates (amended 2011)
- IAS 32 Financial Instruments (amended 2011 and 2012)
- IAS 34 Interim Financial Reporting (amended 2012)
- IFRS 1 First-time adoption of International Financial Reporting Standards (amended 2012)
- IFRS 7 Financial Instruments (amended 2011)
- IFRS 9 Financial Instruments (issued 2009, 2010 and 2011)
- IFRS 10 Consolidated Financial Statements (issued 2011 and 2012)
- IFRS 11 Joint Arrangements (issued 2011 and 2012)
- IFRS 12 Disclosure of Interests in Other Entities (issued 2011 and 2012)
- IFRS 13 Fair Value Measurement (issued 2011)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (issued 2011)
- IFRIC 21 Levies (issued 2013)

The Directors do not consider that the implementation of any of these new standards will have a material impact upon reported income or reported net assets.

2. SEGMENTAL REPORTING

The principal activity of the Group is the exploration for minerals in Sweden. All expenses are in respect of this one activity and there are no business segments requiring separate disclosure.

Notes

To the Consolidated Financial Statements - continued

3. EMPLOYEES AND DIRECTORS

	2012	2011
	£	£
Wages and salaries	103,000	199,750
Social security costs	12,149	12,023
Equity-settled share-based payment transactions	-	53,924
	115,149	265,697

The average monthly number of employees during the year was as follows

Directors	5	5

The aggregate consideration paid to third parties in respect of directors' services during the year was £172,580 (2011: £127,075).

	2012	2011
	£	£
Directors' remuneration	103,000	199,750

No directors exercised share options during the year (2011: two directors).

Information regarding the highest paid director for:
the year ended 31 December 2012 is as follows

	2012	2011
	£	£
Emoluments, etc	75,000	176,416

4. NET FINANCE INCOME

	2012	2011
	£	£
Finance income:		
Deposit account interest	57,361	3,142
Other interest	19,450	10,075
	76,811	13,217
Finance costs:		
Bank interest	574	-
Net finance income	76,237	13,217

5. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	2012	2011
	£	£
Depreciation - owned assets	257	203
Auditors' remuneration	13,630	21,490
Foreign exchange differences	(6,283)	33,031
Impairment of exploration costs	253,142	5,171
Impairment of convertible loan	135,000	-

Notes

To the Consolidated Financial Statements - continued

6. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 nor for the year ended 31 December 2011.

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2012	2011
	£	£
Loss on ordinary activities before income tax	(1,295,692)	(832,235)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	(317,445)	(220,542)
Effects of:		
Potential deferred taxation on tax adjusted loss for the year	236,491	219,029
Provision against convertible loan	33,075	-
Expenses disallowed for tax purposes	-	1,513
Losses of foreign subsidiaries	47,879	-
Tax expense	-	-

Tax effects relating to effects of other comprehensive income

	2012 Gross	2012 Tax	2012 Net
	£	£	£
Revaluation of listed investments	(84,509)	-	(84,509)
Exchange translation difference	(32,305)	-	(32,305)
	(116,814)	-	(116,814)

	2011 Gross	2011 Tax	2011 Net
	£	£	£
Revaluation of listed investments	(51,405)	-	(51,405)
Exchange translation difference	(193)	-	(193)
	(51,598)	-	(51,598)

The Group has estimated UK losses of £3,950,286 (2011: £2,983,537) and foreign losses of £195,424 (2011: nil) available to carry forward against future trading profits.

7. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £1,088,353 (2011: £831,155).

Notes

To the Consolidated Financial Statements - continued

ACCOUNTS

8. 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 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.

Reconciliations are set out below.

		2012	
	Earnings £	Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(1,295,692)	210,427,365	-0.62
Effect of dilutive securities			
Options	-	4,265,971	-
Diluted EPS			
Adjusted earnings	(1,295,692)	214,693,336	-0.60

		2011	
	Earnings £	Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(832,235)	166,800,076	-0.50
Effect of dilutive securities			
Options	-	3,581,595	-
Diluted EPS			
Adjusted earnings	(832,235)	170,381,671	-0.49

9. INTANGIBLE ASSETS

Group

	Exploration costs £
COST	
At 1 January 2012	2,304,347
Additions	1,298,255
Impairments	(253,142)
Exchange differences	(14,550)
At 31 December 2012	3,334,910
NET BOOK VALUE	
At 31 December 2012	3,334,910

	Exploration costs £
COST	
At 1 January 2011	1,327,892
Additions	981,626
Impairments	(5,171)
At 31 December 2011	2,304,347
NET BOOK VALUE	
At 31 December 2011	2,304,347

Total Group exploration costs of £3,334,910 are currently carried at cost in the accounts. The Group will need to raise funds to complete its exploration activities in the long term and therefore generate sufficient value to justify the carrying value of its intangible fixed assets. If insufficient funds are raised then some of the assets may require impairment.

Company

	Exploration costs £
COST	
At 1 January 2012	439,993
Additions	123,211
Disposals	(318,700)
Impairments	(244,504)
At 31 December 2012	-
NET BOOK VALUE	
At 31 December 2012	-

Notes

To the Consolidated Financial Statements - continued

9. INTANGIBLE ASSETS - continued

Company

	Exploration costs £
COST	
At 1 January 2011	1,116,321
Additions	957,949
Disposals	(1,629,106)
Impairments	(5,171)
At 31 December 2011	439,993
NET BOOK VALUE	
At 31 December 2011	439,993

The impairment of exploration costs is charged to administration and included within the income statement as an expense.

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery £
COST	
At 1 January 2012	3,217
Additions	419
At 31 December 2012	3,636
DEPRECIATION	
At 1 January 2012	2,610
Charge for year	257
At 31 December 2012	2,867
NET BOOK VALUE	
At 31 December 2012	769

Notes

To the Consolidated Financial Statements - continued

10. PROPERTY, PLANT AND EQUIPMENT - continued

Group

	Plant and machinery £
COST	
At 1 January 2011	
and 31 December 2011	3,217
DEPRECIATION	
At 1 January 2011	2,407
Charge for year	203
At 31 December 2011	2,610
NET BOOK VALUE	
At 31 December 2011	607

Company	Plant and machinery £
COST	
At 1 January 2012	3,217
Additions	419
At 31 December 2012	3,636
DEPRECIATION	
At 1 January 2012	2,610
Charge for year	257
At 31 December 2012	2,867
NET BOOK VALUE	
At 31 December 2012	769

	Plant and machinery £
COST	
At 1 January 2011	
and 31 December 2011	3,217
DEPRECIATION	
At 1 January 2011	2,407
Charge for year	203
At 31 December 2011	2,610
NET BOOK VALUE	
At 31 December 2011	607

Notes

To the Consolidated Financial Statements - continued

11. INVESTMENTS

Group

	Listed investments £
COST OR VALUATION	
At 1 January 2012	109,858
Revaluations	(84,509)
At 31 December 2012	25,349
NET BOOK VALUE	
At 31 December 2012	25,349

	Listed investments £
COST OR VALUATION	
At 1 January 2011	161,264
Revaluations	(51,406)
At 31 December 2011	109,858
NET BOOK VALUE	
At 31 December 2011	109,858

Company

	Shares in group undertakings £	Interest in joint venture £	Listed investments £	Totals £
COST OR VALUATION				
At 1 January 2012	5,009	225,000	109,858	339,867
Additions	4,695	-	-	4,695
Revaluations	-	-	(84,509)	(84,509)
At 31 December 2012	9,704	225,000	25,349	260,053
NET BOOK VALUE				
At 31 December 2012	9,704	225,000	25,349	260,053

	Shares in group undertakings £	Interest in joint venture £	Listed investments £	Totals £
COST OR VALUATION				
At 1 January 2011	25,764	225,000	161,264	412,028
Additions	4,909	-	-	4,909
Revaluations	(25,664)	-	(51,406)	(77,070)
At 31 December 2011	5,009	225,000	109,858	339,867
NET BOOK VALUE				
At 31 December 2011	5,009	225,000	109,858	339,867

11. INVESTMENTS - continued

Company

The Group or the Company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

Iron of Sweden Limited
Nature of business: Exploration for minerals

	%
Class of shares:	holding
Ordinary	100.00

	2012	2011
	£	£
Aggregate capital and reserves	100	100

During 2010 Beowulf Mining plc acquired 100% of the issued share capital of Iron of Sweden Limited in order to obtain the exploration permits held by the company. Beowulf Mining plc also granted a 1.5% net smelter royalty to the vendor on any and all future mineral or metal production from the permits, plus any subsequent permits or leases that are issued to Beowulf Mining plc, its subsidiaries or associated parties covering all or part of the area covered by the original permits.

During 2011 the permits valued at £25,664 were gifted to Jokkmokk Iron Mines AB, a wholly owned Swedish subsidiary of Beowulf Mining plc. Consequently, the investment in Iron of Sweden Limited has been revalued to £100 to reflect the issued share capital of Iron of Sweden Limited.

Jokkmokk Iron Mines AB
Country of incorporation: Sweden
Nature of business: Exploration for minerals

	%
Class of shares:	holding
Ordinary	100.00

	2012	2011
	£	£
Aggregate capital and reserves	(188,472)	4,909
Loss for the year	(193,381)	-

During 2011 Beowulf Mining plc acquired 100% of the issued share capital of Jokkmokk Iron Mines AB, a new company incorporated in Sweden. Exploration permits valued at £25,664 previously held by Iron of Sweden Limited were gifted to the company in 2011 for no consideration.

During the year, the Company transferred Swedish exploration permits and their associated costs amounting to £157,667 (2011: £1,629,106) to Jokkmokk Iron Mines AB. Permits and associated costs of £127,359 transferred to the subsidiary in 2011 were transferred back to Beowulf Mining plc in 2012. The costs were placed on an interest free inter-group loan between the companies which has no terms for repayment.

The investment in the share capital of Jokkmokk Iron Mines AB amounted to £4,909 and in accordance with the Group's accounting policies the investment is included at cost and has not been re-valued.

Notes

To the Consolidated Financial Statements - continued

11. INVESTMENTS - continued

Company

Norrbotten Mining AB
Country of incorporation: Sweden
Nature of business: Exploration for minerals

	%	
Class of shares:	holding	
Ordinary	100.00	
		2012
		£
Aggregate capital and reserves		2,652
Loss for the year		(2,043)

During the year Beowulf Mining plc acquired 100% of the issued share capital of Norrbotten Mining AB, a new company incorporated in Sweden. Beowulf Mining plc transferred Swedish exploration permits and their associated costs amounting to £318,700 to Norrbotten Mining AB, creating an interest free inter-group loan between the companies which has no terms for repayment.

Joint venture

Wayland Copper Limited
Nature of business: Exploration for minerals

	%
Class of shares:	holding
Ordinary	50.00

	2012	2011
	£	£
Aggregate capital and reserves	422,989	446,819
Loss for the year	(23,830)	(2,160)

Wayland Copper Limited is a Joint Venture company held 50% by Beowulf Mining plc and 50% by Energy Ventures Limited, a company incorporated in Australia.

The Joint Venture company was formed in 2010 to continue the exploration of the Ballek region in Sweden, with Beowulf Mining plc transferring its licences and exploration costs and Energy Ventures Limited transferring its drilling costs in return for £225,000 equity each in Wayland Copper Limited.

The investment in share capital for the 50% holding amounted to £225,000.

The Group and the Company have an investment in the mining company Agricola Resources Plc. Agricola's shares were withdrawn from PLUS S-X on 1 November 2012 to ensure that its shareholders were properly protected whilst the company progresses a potential acquisition of a New Zealand exploration company. Because of the current uncertainty over the future of the company, the directors have re-valued the investment to nil (2011: £80,750).

ACCOUNTS

12. LOANS AND OTHER FINANCIAL ASSETS

Group

	Other loans
	£
At 1 January 2012	270,000
Other movement	(135,000)
At 31 December 2012	135,000

	Other loans
	£
At 1 January 2011	20,000
New in year	250,000
At 31 December 2011	270,000

Other financial assets were as follows:

	2012	2011
	£	£
Additions	59,937	-

12. LOANS AND OTHER FINANCIAL ASSETS - continued

Group

During 2011 Beowulf Mining plc made a loan of £250,000 to Agricola Resources plc under terms set out in convertible loan notes, whereby the loan accrues interest at 7% above the Bank of England Base Rate and is convertible into ordinary shares of Agricola at par until 30 June 2017.

In 2010 Beowulf Mining plc made a loan of £20,000 to Agricola Resources plc under terms set out in a convertible loan note, whereby the loan accrues interest at 3% above the Bank of England Base Rate and is convertible into ordinary shares of Agricola at par until 28 February 2013. The loan was secured on Agricola's interest in a joint venture it held with L'Office des Hydrocarbures at des Mines in Morocco.

The convertible loan notes are secured against all of Agricola's assets, ranking behind Beowulf's existing legal charge in respect of Agricola's Morocco joint venture project, and are repayable on 30 June 2017 or, at Beowulf's option, immediately upon a fundraising of more than £400,000 being completed by Agricola, or any time thereafter. At Agricola's option, the convertible loan notes are redeemable early without penalty on 30 June 2012 or at six monthly intervals thereafter. Beowulf is entitled at its sole discretion to convert all or part of the principal loan amount advanced into new ordinary shares in Agricola at a conversion price of 1 pence per ordinary share at any time. The notes are transferable subject to certain limited restrictions.

In addition, Beowulf has been granted warrants to subscribe for up to 21,000,000 additional new ordinary shares in Agricola at an exercise price of 1 pence per new Agricola ordinary share at any time prior to 30 June 2014.

Agricola's shares were withdrawn from PLUS S-X on 1 November 2012 to ensure that its shareholders were properly protected whilst the company progresses a potential acquisition of a New Zealand exploration company. As at 31 December 2012 Agricola has stated net liabilities of £628,500 and with the future of the company currently being uncertain, the directors have made a 50% provision of £135,000 (2011: nil) against the loans.

During 2010 Beowulf Mining plc entered into a joint venture agreement with Energy Ventures Limited, initially holding 50% each of the Project Company, Wayland Copper Limited.

Under the terms of the agreement a quarterly work programme and budget is prepared by the Operator and submitted to the board of directors of the Project Company for approval. Following approval, a written funding notice is issued to Beowulf Mining plc and Energy Ventures Limited showing the amount of funding which is required from them in order to finance the budget and work programme.

If a party elects to provide the requested funding they must do so within a predetermined time frame as set out in the joint venture agreement, or be deemed to have elected not to contribute to the requested funding. If a party does not elect to contribute to the requested funding, the other party shall be given the option of contributing such shortfall, in which case the parties' respective interest in the Project Company will be adjusted in accordance with the agreement.

In the event that either party's interest in the Project Company falls to 10% or less, the interest will automatically convert to a 2% 'Net Smelter Return'. The remaining party will then have the option to acquire the Net Smelter Return by serving an Option Notice and proposing an acquisition price. The offer can either be accepted or referred to an independent expert for a final and binding valuation of the Net Smelter Return.

The initial loans of £9,658 to joint ventures are in respect of funding notices issued by the Project Company at the balance sheet date as detailed above. During the year, Beowulf Mining plc provided further funding of £54,777 (2011: £47,351) to the Project Company to extend the term of the exploration permits.

Notes

To the Consolidated Financial Statements - continued

12. LOANS AND OTHER FINANCIAL ASSETS - continued

Company

	Loans to group undertakings	Loans to joint ventures	Other loans	Totals
	£	£	£	£
At 1 January 2012	1,629,106	57,009	270,000	1,956,115
New in year	1,960,388	54,776	-	2,015,164
Other movement	-	-	(135,000)	(135,000)
At 31 December 2012	3,589,494	111,785	135,000	3,836,279

	Loans to group undertakings	Loans to joint ventures	Other loans	Totals
		£	£	£
At 1 January 2011	-	9,658	20,000	29,658
New in year	1,629,106	47,351	250,000	1,926,457
At 31 December 2011	1,629,106	57,009	270,000	1,956,115

Other financial assets were as follows:

	2012	2011
	£	£
Additions	2,784	-

During the year, the Company transferred Swedish exploration permits and their associated costs amounting to £157,667 (2011: £1,629,106) to a wholly owned Swedish subsidiary Jokkmokk Iron Mines AB. Permits and associated costs of £127,359 transferred to the subsidiary in 2011 were transferred back to Beowulf Mining plc in 2012. The costs were placed on an interest free inter-group loan between the companies which has no terms for repayment.

During the year Beowulf Mining plc transferred Swedish exploration permits and their associated costs amounting to £318,700 to a wholly owned Swedish subsidiary Norrbotten Mining AB, creating an interest free inter-group loan between the companies which has no terms for repayment.

The loans of £111,785 (2011: £57,009) to joint ventures are in respect of funding notices issued and the renewal of exploration permits for Wayland Copper Limited as detailed above.

Other loans of £135,000 (2011: £270,000) are under the terms of convertible loan notes as detailed within the Group disclosure above.

13. TRADE AND OTHER RECEIVABLES

	Group 2012	2011	Company 2012	2011
	£	£	£	£
Current:				
Other receivables	82,386	38,063	30,108	10,658
VAT	110,545	143,356	62,460	143,356
Prepayments and accrued income	8,825	16,051	8,825	16,051
	201,756	197,470	101,393	170,065

ACCOUNTS

Notes

To the Consolidated Financial Statements - continued

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Cash in hand	250	250	250	250
Bank deposit account	3,329,364	6,038,755	3,329,364	6,038,755
Bank accounts	368,157	11,955	10,604	7,239
	3,697,771	6,050,960	3,340,218	6,046,244

15. CALLED UP SHARE CAPITAL

	2012	2011
	£	£
Allotted, issued and fully paid		
210,427,365 (2011: 210,427,365) ordinary shares of 1p each	2,104,273	2,104,273

The number of shares in issue are as follows:

	2012	2011
	No.	No.
At 1 January 2012	210,427,365	159,796,689
Issued during the year	-	47,061,111
Share options exercised	-	3,569,565
At 31 December 2012	210,427,365	210,427,365

16. RESERVES

Group

	Retained earnings	Share premium	Revaluation reserve
	£	£	£
At 1 January 2012	(4,429,363)	10,858,905	(15,142)
Deficit for the year	(1,295,692)	-	-
Revaluation in year	-	-	(84,509)
Share options lapsed	557	-	-
At 31 December 2012	(5,724,498)	10,858,905	(99,651)

16. RESERVES - continued

Group

	Capital contribution reserve £	Share scheme reserve £	Translation reserve £	Totals £
At 1 January 2012	46,451	68,317	(193)	6,528,975
Deficit for the year	-	-	-	(1,295,692)
Revaluation in year	-	-	-	(84,509)
Share options lapsed	-	(557)	-	-
Exchange translation difference	-	-	(32,305)	(32,305)
At 31 December 2012	46,451	67,760	(32,498)	5,116,469

	Retained earnings £	Share premium £	Revaluation reserve £
At 1 January 2011	(3,611,606)	3,904,399	36,264
Deficit for the year	(832,235)	-	-
Cash share issue	-	7,458,026	-
Revaluation in year	-	-	(51,406)
Cost of share issue	-	(503,520)	-
Share options exercised	14,478	-	-
At 31 December 2011	(4,429,363)	10,858,905	(15,142)

Notes

To the Consolidated Financial Statements - continued

16. RESERVES - continued

	Capital contribution reserve £	Share scheme reserve £	Translation reserve £	Totals £
At 1 January 2011	46,451	28,871	-	404,379
Deficit for the year	-	-	-	(832,235)
Cash share issue	-	-	-	7,458,026
Revaluation in year	-	-	-	(51,406)
Cost of share issue	-	-	-	(503,520)
Equity-settled share-based payment transactions	-	53,924	-	53,924
Share options exercised	-	(14,478)	-	-
Exchange translation difference	-	-	(193)	(193)
At 31 December 2011	46,451	68,317	(193)	6,528,975

Company

	Retained earnings £	Share premium £	Revaluation reserve £
At 1 January 2012	(4,383,263)	10,858,905	(40,806)
Deficit for the year	(1,088,353)	-	-
Revaluation in year	-	-	(84,509)
Share options lapsed	557	-	-
At 31 December 2012	(5,471,059)	10,858,905	(125,315)

Company

	Capital contribution reserve £	Share scheme reserve £	Totals £
At 1 January 2012	46,451	68,317	6,549,604
Deficit for the year	-	-	(1,088,353)
Revaluation in year	-	-	(84,509)
Share options lapsed	-	(557)	-
At 31 December 2012	46,451	67,760	5,376,742

16. RESERVES - continued

	Retained earnings £	Share premium £	Revaluation reserve £
At 1 January 2011	(3,566,586)	3,904,399	36,264
Deficit for the year	(831,155)	-	-
Cash share issue	-	7,458,026	-
Revaluation in year	-	-	(77,070)
Cost of share issue	-	(503,520)	-
Share options exercised	14,478	-	-
At 31 December 2011	(4,383,263)	10,858,905	(40,806)

	Capital contribution reserve £	Share scheme reserve £	Totals £
At 1 January 2011	46,451	28,871	449,399
Deficit for the year	-	-	(831,155)
Cash share issue	-	-	7,458,026
Revaluation in year	-	-	(77,070)
Cost of share issue	-	-	(503,520)
Equity-settled share-based payment transactions	-	53,924	53,924
Share options exercised	-	(14,478)	-
At 31 December 2011	46,451	68,317	6,549,604

17. TRADE AND OTHER PAYABLES

	Group 2012 £	2011 £	Company 2012 £	2011 £
Current:				
Trade payables	202,049	127,333	40,239	127,333
Social security and other taxes	675	13,692	675	13,692
Other payables	855	133,604	955	133,704
Accruals and deferred income	31,171	25,365	18,612	24,285
	234,750	299,994	60,481	299,014

Notes

To the Consolidated Financial Statements - continued

18. FINANCIAL INSTRUMENTS

The Group and Company financial instruments comprise cash and cash equivalents, loans, investments and financial assets and various items such as trade receivables, trade payables, accruals and prepayments that arise directly from its operations.

The main purpose of these financial instruments is to finance the Group's operations. The Board regularly reviews and agrees policies for managing the level of risk arising from the Group's financial instruments which are summarised as follows:

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

The following tables illustrate the contractual maturity profiles of its financial liabilities, all of which are repayable within one year, as at 31 December:

Group	**2012**	**2011**
	£	**£**
Current liabilities:		
Trade and other payables	234,075	286,302
Tax liabilities	675	13,692
	234,750	299,994

Company		
Current liabilities:		
Trade and other payables	59,806	285,322
Tax liabilities	675	13,692
	60,481	299,014

All of the Group and Company liabilities are due for payment within one year.

Credit Risk

The Group's principal financial assets are the cash and cash equivalents and the loans and taxation receivables as recognised in the statement of financial position, and which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Company has made an unsecured loan of £3,254,718 (2011: £1,629,106) to its Swedish subsidiary Jokkmokk Iron Mines AB in respect of exploration permits transferred to the subsidiary. Although it is repayable on demand, it is unlikely to be repaid until the project becomes successful and the subsidiary starts to generate revenue.

The Company has made an unsecured loan of £334,776 (2011: nil) to its Swedish subsidiary Norrbotten Mining AB in respect of exploration permits transferred to the subsidiary. Although it is repayable on demand, it is unlikely to be repaid until the project becomes successful and the subsidiary starts to generate revenue.

Capital Management

The Company's capital consists wholly of ordinary shares. The Board's policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, whilst balancing these objectives with the efficient use of capital.

Analysis of Total Financial Liabilities and Financial Assets

The table below sets out the Group's IAS 39 classification of each of its financial assets and liabilities at 31 December 2012. All amounts are stated at their carrying value:

18. FINANCIAL INSTRUMENTS - continued

Group

At 31 December 2012

	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	3,697,771
Derivative financial assets	57,153	-	-
Derivative financial liabilities	-	-	-
Other financial assets	2,784	-	336,756
Other financial liabilities	-	-	-
	59,937	-	4,034,527

	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	3,697,771
Derivative financial assets	-	-	57,153
Derivative financial liabilities	-	-	-
Other financial assets	-	-	339,540
Other financial liabilities	-	(234,750)	(234,750)
	-	(234,750)	3,859,714

At 31 December 2011

	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	6,050,960
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	467,470
Other financial liabilities	-	-	-
	-	-	6,518,430

	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	6,050,960
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	467,470
Other financial liabilities	-	(299,994)	(299,994)
	-	(299,994)	6,218,436

18. FINANCIAL INSTRUMENTS - continued

Company

At 31 December 2012	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	3,340,218
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	3,940,456
Other financial liabilities	-	-	-
	-	-	7,280,674

	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	3,340,218
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	3,940,456
Other financial liabilities	-	(60,481)	(60,481)
	-	(60,481)	7,220,193

At 31 December 2011	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	6,046,244
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	2,126,180
Other financial liabilities	-	-	-
	-	-	8,172,424

	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	6,046,244
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	2,126,180
Other financial liabilities	-	(299,014)	(299,014)
	-	(299,014)	7,873,410

18. FINANCIAL INSTRUMENTS - continued

Other financial assets comprise trade and other receivables due within and after more than one year. Other financial liabilities comprise trade and other payables and accruals due within and after more than one year.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Group's and Company's income or value of it's holdings in financial instruments.

Sensitivity Analysis

The Group has carried out a sensitivity analysis that measures the estimated charge to the income statement and equity of a 1% difference in market interest rates applicable at 31 December 2012 with all other measures remaining constant. Similarly, the sensitivity analysis in respect of currency risk measures the estimated charge to the income statement and equity of a 10% difference in the market rate of the Swedish Kroner, the major currency to which the Group is exposed.

The sensitivity analysis includes the following assumptions:

a) Changes in market interest rates only affect interest income or expense of variable financial instruments.

b) Changes in foreign currency rates only affect those items of income and expense and assets and liabilities denominated in the said currencies.

Interest rate risk

	Income Statement		Equity (before tax)	
	100 bps Increase £	100 bps Decrease £	100 bps Increase £	100 bps Decrease £
Variable rate instruments	1,350	(1,350)	1,350	(1,350)

Currency risk

	Income Statement		Equity (before tax)	
	10% Increase £	10% Decrease £	10% Increase £	10% Decrease £
Cash and cash equivalents	-	-	(41,470)	41,470

Fair Values of Financial Assets and Liabilities

The carrying values of the financial instruments of the Group and Company are the same as their fair values.

Commodity Price Risk

The principal activity of the Group is the exploration for iron, copper and gold in Sweden, and the principal market risk facing the Group is an adverse movement in the price of such commodities. Any long term adverse movement in the commodity prices would affect the commercial viability of the Group's various projects.

Notes

To the Consolidated Financial Statements - continued

19. RELATED PARTY DISCLOSURES

During the year the Company transferred Swedish exploration permits and their associated costs amounting to £157,667 (2011: £1,629,106) to the wholly owned Swedish subsidiary Jokkmokk Iron Mines AB. Permits and associated costs of £127,359 transferred to the subsidiary in 2011 were transferred back to Beowulf Mining plc in 2012. The costs were placed on an interest free inter-group loan between the companies which has no terms for repayment.

During the year the Company transferred Swedish exploration permits and their associated costs amounting to £318,700 to the wholly owned Swedish subsidiary Norrbotten Mining AB, creating an interest free inter-group loan between the companies which has no terms for repayment.

During the year the Company paid Tearne Foulsham Limited fees and expenses amounting to £42,574 (2011: £37,135). Mr E Taylor is a director and shareholder of this company. No amounts were outstanding at the year end (2011: nil).

During the year the Company paid exploration fees of £28,605 (2011: £209,572) to Geoexperten, a business owned by Dr Jan-Ola Larsson. Further fees of £90,000 (2011: £84,375) were paid to Geoexperten during the year in respect of the director's services of Dr Jan-Ola Larsson. No amounts were outstanding at the year end (2011: nil).

During the year the Company paid no expenses (2011: £27,581) to Merchant Adventurers Company Limited, a company of which Mr C Sinclair-Poulton is a director and shareholder. Further fees of £82,581 (2011: £42,700) were paid to Merchant Adventurers Company Limited during the year in respect of the director's services of Mr C Sinclair-Poulton. No amounts were outstanding at the year-end (2011: nil).

During the year the company paid exploration costs of £147,725 (2011: £136,631) to FHB AB, a Swedish company of which Mr Fred Boman is a director and shareholder. No amounts were outstanding at the year end (2011: nil).

In 2010 the Company subscribed for convertible loan notes of £20,000 issued by Agricola Resources plc, a company of which Mr A C R Scutt and Mr C Sinclair-Poulton are also directors. The convertible loan notes accrue interest at 3% above the Bank of England Base Rate and were convertible into ordinary shares in Agricola at par until 28 February 2013.

In 2011 the Company subscribed for further convertible loan notes of £250,000 issued by Agricola Resources plc. The convertible loan notes accrue interest at 7% above the Bank of England Base Rate and are convertible into ordinary shares in Agricola at par until 30 June 2017. At the year end, the Company had funded £241,145 (2011: £221,274) in respect of the convertible loan notes and £855 (2011: £28,726) is included in other payables and available for Agricola to draw down.

Agricola's shares were withdrawn from PLUS S-X on 1 November 2012 to ensure that its shareholders were properly protected whilst the company progresses a potential acquisition of a New Zealand exploration company. As at 31 December 2012, Agricola has stated net liabilities of £628,500 and with the future of the company currently being uncertain, the directors have made a 50% provision of £135,000 (2011: nil) against the loans.

The interest charge for the year in respect of the loan notes amounted to £19,450 (2011: £10,075) and this is included in other receivables at the year end.

Notes

To the Consolidated Financial Statements - continued

19. RELATED PARTY DISCLOSURES - continued

Key management personnel compensation

The directors' and key management personnel of the Company during the year were are follows:
Mr C Sinclair-Poulton (Executive Chairman)
Dr J-O Larsson (Technical director)
Mr F Boman (Production director)
Mr A C R Scutt (Non-executive director)
Mr E Taylor (Non-executive director and company secretary)

The aggregate compensation paid to key management personnel of the Company is set out below:

	2012 £	2011 £
Short-term employee benefits	287,729	338,847
Post-employment benefits	-	-
Termination benefits	-	-
Share-based benefits	-	48,729
	287,729	387,576

Details of key management personnel's compensation are disclosed in the Remuneration Report included in the Directors Report.

Key management personnel equity holdings

Details of key management personnel's beneficial and other interests in the fully paid ordinary shares of the Company and share options held, are unchanged during the year and are disclosed in the Directors Report.

20. POST BALANCE SHEET EVENTS

There has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material nature, likely, in the opinion of the Directors of the Company, to effect:

i) The Company's operations in future financial periods; or
ii) The results of those operations in future periods; or
iii) The Company's state of affairs in future financial periods.

ACCOUNTS

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2012	2011
	£	£
Loss for the financial year	(1,295,692)	(832,235)
Proceeds of share issue	-	7,964,333
Equity-settled share-based payments	-	53,924
Revaluation of listed investments	(84,509)	(51,406)
Cost of share issue	-	(503,520)
Exchange translation difference	(32,305)	(193)
Net (reduction)/addition to shareholders' funds	(1,412,506)	6,630,903
Opening shareholders' funds	8,633,248	2,002,345
Closing shareholders' funds	7,220,742	8,633,248

Company	2012	2011
	£	£
Loss for the financial year	(1,088,353)	(831,155)
Proceeds of share issue	-	7,964,333
Equity-settled share-based transactions	-	53,924
Revaluation of listed investments	(84,509)	(77,070)
Cost of share issue	-	(503,520)
Net (reduction)/addition to shareholders' funds	(1,172,862)	6,606,512
Opening shareholders' funds	8,653,877	2,047,365
Closing shareholders' funds	7,481,015	8,653,877

22. SHARE-BASED PAYMENT TRANSACTIONS

The Group has a share option programme that entitles the holders to purchase shares in the Company with the options exercisable at the price determined at the date of granting the option. The terms and conditions of the grants are as follows; there are no vesting conditions to be met and all options are to be settled by the issue of shares:

	Number of instruments	Contractual life of options
24 September 2010	500,000	5 years
11 October 2011	24,222	4 years
7 December 2011	3,530,000	5 years
Options outstanding at 31 December	4,054,222	

Notes

To the Consolidated Financial Statements - continued

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at 1 January	24.6804p	4,554,222	5.5976p	4,100,000
Exercised during the year	-	-	5.3065p	(3,100,000)
Lapsed during the year	6.0000p	(500,000)	-	-
Granted during the year	-	-	30.1022p	3,554,222
Outstanding and exercisable at 31 December	27.2531p	4,054,222	24.6804p	4,554,222

No options were exercised during the year (2011: 3,100,000 with a weighted average exercise price of 5.306p), but 500,000 (2011: nil) options lapsed having an exercise price of 6p. The options outstanding at 31 December 2012 have an exercise price in the range of 7p to 45p (2011: 6p to 45p) and a weighted average remaining contractual life of 3.613 years (2011: 4.305 years).

The fair value of services received and commission payable in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes model, with the following inputs:

	Services 7.12.11	Services 11.10.11	Services 24.09.10
Fair value at grant date	7.638p	14.861p	2.913p
Share price	16.1p	35.5p	6.5p
Exercise price	30.0p	45.0p	7.0p
Expected volatility	70.21%	58.31%	48.31%
Option life	5 years	4 years	5 years
Risk-free interest rate	4%	4%	4%

The expected volatility was determined by reviewing the actual volatility of the Company's share price since its listing on AIM to the date of granting the option. In calculating the fair value, consideration was given to the market trends at the grant date of the option.

There is no expense (2011: £53,923) for the year in respect of goods and services received in respect of equity-settled share-based payment transactions.

Notice
of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the **"Meeting")** of Beowulf Mining plc (the **"Company"**) will be held at Juxon House,100 St Pauls Churchyard, London EC4M 8BU on 4th July 2013 at 1.30 p.m.to transact the following business:

As Ordinary Business

1 To receive and consider the Company's audited accounts for the year ended 31 December 2012 and the directors' and auditors' reports thereon.

2 To approve and consider the Remuneration Report as detailed on page 18 of the Company's annual report and accounts.

3 To re-elect Clive Sinclair-Poulton, who is retiring by rotation, as a director of the Company.

4 To re-appoint Price Bailey LLP as auditor and authorise the directors to fix the auditor's remuneration.

As Special Business

To consider and if thought fit to pass the following Resolution which will be proposed as an Ordinary Resolution:

Ordinary Resolution

5 That the Directors be generally and unconditionally authorised to allot equity securities (as defined in section 560 of the Companies Act 2006):

5.1 in the case of ordinary shares in the Company, having a nominal amount; and

5.2 in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares in the Company having a nominal amount,

not exceeding, in aggregate, £315,641 provided that the power granted by this resolution shall expire on the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot equity securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

To consider and if thought fit to pass the following Resolution which will be proposed as a Special Resolution:

Special Resolution

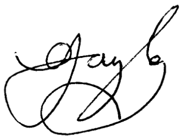
6 That, subject to the passing of resolution 5, the Directors be given the general power to allot equity securities (as defined by section 560 of the Companies Act 2006) for cash, either pursuant to the authority conferred by resolution 5 or by way of a sale of treasury shares, as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities having:

6.1 in the case of ordinary shares in the Company, having a nominal amount; and

6.2 in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares in the Company having a nominal amount,

not exceeding, in aggregate, £315,641 provided that the power granted by this resolution shall expire on the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board



Edward Taylor
Company secretary
Beowulf Mining plc

Richmond House
Broad Street
Ely
Cambridgeshire
CB7 4AH

10th June 2013

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

1 In order to have the right to attend or vote at the meeting a person must be entered on the register of members by 6pm on 2nd July 2013.

Appointment of proxies

2 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please use the procedures set out in the notes to the proxy form.

4 To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed (or a copy of it notorially certified in some other way approved by the directors) must be sent or delivered to Neville Registrars at Neville House,18 Laurel Lane, Halesowen, West Midlands B63 3DA so as to arrive not less than 48 hours before the time of the meeting. Completion of the proxy form does not preclude a member from subsequently attending and voting at the meeting in person.

Communication

5 Except as provided above, members who have general queries about the Meeting should telephone Edward Taylor on 01366 500722 (no other methods of communication will be accepted):

6 You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- in any related documents (including the chairman's letter and proxy form),

  to communicate with the Company for any purposes other than those expressly stated.

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BEOWULF MINING PLC

Registered Office:
Richmond House
Broad Street
Ely
Cambridgeshire
CB7 4AH

www.beowulfmining.com