



**1 June 2015**

**Beowulf Mining plc**  
("Beowulf" or the "Company")

**AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED  
31 DECEMBER 2014**

Beowulf (AIM: BEM; Aktietorget: BEO), the mineral exploration and development company focused on the Kallak iron ore project in northern Sweden and its Swedish exploration portfolio, announces its audited financial results for the year ended 31 December 2014. The chairman's statement, review of operations and activities, and financial information has been extracted from the Company's Annual Report for the year ended 31 December 2014.

The financial information included in this announcement does not constitute the Group's statutory financial statements as defined in section 434 of the Companies Act 2006 but is derived from those accounts. The financial information for the year ended 31 December 2014 has been extracted from the audited accounts of Beowulf Mining plc which will be delivered to the Registrar of Companies in due course. The auditors reported on those accounts and their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The financial information for the year ended 31 December 2013 has been extracted from the audited accounts of Beowulf Mining plc which have been delivered to the Registrar of Companies. The auditors reported on those accounts and their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The 2014 Annual Report will be posted to those shareholders who have requested a copy around the 5 June 2015 and will also be available on the Company's website ([www.beowulfmining.com](http://www.beowulfmining.com)) on the same date.

The Annual General Meeting of the Company will be held at the offices of CMS Advisory Group, 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT, United Kingdom on 29 June 2015 at 10.30 a.m. (BST).

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## CHAIRMAN'S STATEMENT

### Introduction

I am pleased to be able to present my first Chairman's Statement to shareholders and stakeholders of the Company. I joined the Company in September 2014 together with Kurt Budge, as a Non-Executive Director. Since then Kurt has taken over the role of Chief Executive Officer and I have taken on the role of Non-Executive Chairman. I would also like to take this opportunity to thank the directors of the Company ("Directors") who left during the year for their contribution to the development of the Company.

With the change in leadership, Beowulf has re-established itself, strengthened its financial controls and governance procedures, re-focused the Company's strategy and aligned its interests with those of its shareholders. The management team is working hard to strengthen relationships with key stakeholders, encapsulating the Company's new approach in the following three mission statements:

*"Showing respect to all our stakeholders"*

*"Visar respekt för alla intressenter"*

*"Becoming a local partner"*

*"Vill samverka lokalt"*

*"Delivering responsible development"*

*"Står för ansvarsfull utveckling"*

### Iron ore market

2014 will be remembered for the severity and speed of commodity price falls - particularly iron ore - that very quickly rendered higher-cost producers vulnerable. The 62 per cent iron CFR China benchmark price nearly halved in 2014, and in the first quarter of 2015 the price has continued to fall. The fall in the benchmark price is due to a combination of factors, including weakening demand especially from China, and significant growth in output from the big producers. Nonetheless, we are encouraged by the 7 per cent recovery in the benchmark pricing since its recent low in April 2015.

Beowulf is not seeking to compete in the seaborne iron ore trade into China. Kallak North should be a high quality producing asset within 5 years, supplying high grade concentrate over 69 per cent iron with very low levels of phosphorous and sulphur, lending itself to pelletization and consumption in Direct Reduction Iron ("DRI") facilities in Europe and the Middle East at premium prices. As a comparison, the 65 per cent iron pellet price has been on average \$40 per tonne ("t") higher than the 62 per cent iron price in 2014.

### AIM<sup>1</sup>

Equity proceeds of approximately £245 million ("M") were raised by AIM's junior miners in 2014 – an increase of 80 per cent on 2013, but from a very low base, and some 82 per cent short of 2007's peak. Only £5M of the 2014 total was raised from new issues, with IPOs remaining firmly off the agenda. The dominance of the mining sector on AIM has lessened, with mining shares ending the year with just a third of their value when compared with the prior year. Despite these difficulties the Company undertook a fundraising in August/September 2014 to raise gross £1.74M and in March 2015 raised a further gross £350,000.

<sup>1</sup> EY Mining Eye Q4 2014; London Stock Exchange Statistics

### Kallak Iron Ore Project ("Kallak")

Excellent progress has been made during the year at Kallak. The known orebodies now cover an area approximately 3,700 metres ("m") in length and 350m in width. In December we reported an upgraded resource for Kallak North and a maiden resource for Kallak South – a 34 per cent increase in indicated resource to 118.5Mt at 27.5 per cent iron from 88.3Mt at 27.7 per cent iron in the 2013 resource statement. We also reported a total inferred resource of 33.8Mt at 26.2 per cent iron, and an exploration target of 90-100Mt at 22-30 per cent iron representing potential ore below the pit shells and in the gap between Kallak South mineralized zones. The exploration target together with the drilling completed to date gives us confidence that there is substantially more iron ore at Kallak than previously defined.

However, rather than continue to drill, we are focusing our efforts on obtaining the Exploitation Concession for Kallak North. In February 2015 the Chief Mining Inspectorate found that the prerequisites for an Exploitation Concession had been fulfilled, but left the Government to make a decision regarding Chapters 3 and 4 of the Environmental Code.

Before the Mining Inspectorate's decision and further to the County Administrative Boards ("CAB's") response in October 2014, the Company took the opportunity to make a further written submission to the Mining Inspectorate on issues identified by CAB regarding transport. In that submission, the Company stated that it will not be proposing transport routes that pass in a north/north-easterly direction through the Jelka-Rimakåbbå Natura 2000 area, ensuring that future transport routes will not lead to a significant impact on reindeer husbandry.

With regard to reindeer husbandry, the Company proposed precautionary and protective measures which resulted from analysis undertaken as part of its environmental impact assessment; these measures will be developed further in consultation with concerned Sami villages as part of the Company's application for an Environmental Permit. The Company also intends to establish a framework for compensatory measures and economic compensation in the event that there are residual consequences for neighbouring communities. It is the Company's firm belief that having put in place systems to manage its future operations, and frameworks to address residual consequences, that mining and reindeer husbandry can coexist.

The Company continues to engage with key stakeholders at the local and county levels, focus on strengthening relationships and addressing all outstanding concerns. The north of Sweden is seeking ways to stimulate economic growth, create jobs and slowdown population decline and a mine at Kallak North is seen as part of the solution for achieving those goals. It is the Company's belief that the Exploitation Concession application satisfies all the requirements of the Swedish regulations and that there should be no obstacle for an early and positive decision by the Swedish Government in favour of granting the Exploitation Concession for Kallak North.

### **Other projects in the portfolio**

The management team has spent time reviewing the Company's other projects, including the Ballek Joint Venture located in Norrbotten County in northern Sweden, where the Company has a JORC Code compliant Inferred Resource for the Lulepotten copper-gold deposit of 5.4Mt, grading 0.8 per cent copper and 0.3g/t gold; the Nautijaure licence with potential for iron oxide copper gold ("IOCG"); the Grundträsk gold project; and the Munka molybdenum project.

The 2015 exploration programme will involve reassessing the significant historical data that exists on each of the projects, supplemented with fieldwork, before finalising plans for further drilling. The Board of the Company ("Board") has received approaches to joint venture on assets within the portfolio, and will continue to review the attractiveness of each proposal when received.

### **Corporate**

The Company undertook a fundraising in August/September 2014 to raise gross proceeds of £1.74M. This included a capital raise of £1M from Lanstead Capital L.P. ("Lanstead"), the Company's largest shareholder, which involved investing £0.85M in equity rate swap agreements. The amount receivable under these agreements was linked to the Company's share price performance. Unfortunately, due to the fall in the share price, exacerbated by difficult market conditions for mining and exploration companies, the expected settlements fell significantly. The Directors mutually agreed with Lanstead to accelerate all outstanding settlements in consideration of a final settlement of £150,000. The Directors consulted with Cantor Fitzgerald Europe, the Company's nominated adviser, who agreed that the terms of the accelerated settlement were fair and reasonable insofar as shareholders were concerned.

The Company also gave shareholders the opportunity to subscribe for new shares through an open offer in the September fundraising and I want to take this opportunity to thank all those who participated.

The loss for the year is £3.1M (2013: loss of £2.2M) with a basic loss per share of 1.00p (2013: loss of 0.91p). The increase in the loss over 2013 is due primarily to losses on the derivative financial assets. Approximately £0.2M in cash was held at the year end, before receipt in early January 2015 of £150,000 from the Accelerated Settlement of the Equity Swap Agreements and the completion of the March 2015 fundraising which raised gross £350,000.

The Company appointed Liam O'Donoghue as Company Secretary on 8 May 2015. Liam is a qualified corporate lawyer and director of the AIM specialist advisory and administration firm, CMS Advisory Group Limited.

The Board and Executive have sought to align themselves with shareholder interests, by setting basic pay and fees at market levels, thereafter seeking to conserve cash by electing to salary sacrifice a third of compensation, which will be converted into shares. The salary sacrifice has continued since October 2014, but due to close periods the Directors have been unable to convert this into shares. The Board will continue to ensure that the Directors and executives are appropriately incentivised and that their interests remain aligned to those of the Company's shareholders.

## **Outlook**

While the short term fundamentals for commodities look challenging and the economic outlook remains uncertain, the management team of Beowulf is still focused on creating value for shareholders, by first seeking an early and positive decision by the Swedish Government on the application for an Exploitation Concession for Kallak North, and secondly by attracting the right partner for Kallak by demonstrating the quality of the orebody and its market potential as a high grade premium concentrate.

I would like to thank our employees, consultants, contractors, advisers, shareholders and other stakeholders for their valued support during the year.

Bevan Metcalf  
Non-Executive Chairman  
May 2015

## **REVIEW OF OPERATIONS AND ACTIVITIES**

### **Introduction**

Sweden continues to be a prominent mining jurisdiction and the largest iron ore (mostly magnetite) producer in the EU. It provides modern, efficient and well-established infrastructure, excellent power accessibility and affordability, a highly skilled mining and exploration workforce, extremely low sovereign risk and a very strong mining culture. Almost all current iron ore production is located in the Norrbotten County of northern Sweden at the Kiruna and Malmberget deep underground mines owned by the state owned company, LKAB.

Beowulf has been active in northern Sweden for more than 10 years, focusing its activities on areas with high exploration potential for iron, copper, gold and molybdenum in the Norrbotten and Västerbotten counties. The Kallak project in Norrbotten County has been the principal focus of the Group's exploration and development work in recent years.

The application for exploration permits and exploitation concessions 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 cost 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.

## Current exploration permits

Beowulf, via its subsidiaries, currently holds 13 exploration permits, together with one registered application for an exploitation concession (Kallak North), all in northern Sweden, as set out in the table below:

Permit Name/Mineral(s)	Permit ID	Area (km <sup>2</sup> )	Date Granted/ Valid from	Valid until
<b>Arjeplog Region:</b>				
Ballek nr2 (Copper-gold)*	2005:69	5.57	Lodged 31/03/2015	Awaiting grant of licence
Ballek nr6 (Copper-gold)*	2015:143	3.15	23/03/2015	23/03/2018
Munka nr10 (Molybdenum)^	2009:178	8.00	03/11/2009	03/11/2015
<b>Jokkmokk Region:</b>				
Parkijaure nr3 (Iron)**	2011:135	4.17	11/08/2011	11/08/2017
Parkijaure nr2 (Iron)**	2008:20	2.85	18/01/2008	18/01/2016
Kallak nr1 (Iron)**μ	2006:197	5.00	28/06/2006	28/06/2016
Kallak nr2 (Iron)**	2011:97	22.19	22/06/2011	22/06/2017
Kallak nr3 (Iron)**	2012:100	5.56	09/08/2012	09/08/2015
Parkijaure nr4 (Copper)**+	2012:59	7.59	04/05/2012	Awaiting grant of licence
Parkijaure nr5 (Iron)**	2013:36	12.97	04/03/2013	04/03/2016
Nautijaur nr1 (IOCG)**+	2012:57	8.80	04/05/2012	Awaiting grant of licence
Ågåsjegge nr2 (Iron)**+	2014:10	11.14	24/02/2014	24/02/2017
<b>Malå Mining District:</b>				
Grundträsk nr6 (Gold)^	2010:161	15.53	04/11/2010	04/11/2016
<b>TOTAL:</b>		112.52		

### Notes:

\* the Ballek permits are held by Wayland Sweden AB which is a wholly owned subsidiary of Wayland Copper Limited ("Wayland Copper"). Beowulf has a 65.25 per cent ownership interest in Wayland Copper, which is a subsidiary of Beowulf, and is the operator of the Ballek project.

\*\*held by the Company's wholly owned subsidiary, Jokkmokk Iron Mines AB ("JIMAB").

+ area recently reduced.

^ held by the Company's wholly owned subsidiary, Norrbotten Mining AB ("Norrbotten Mining").

μ an application for an exploitation concession was originally lodged on 25 April 2013 (Mines Inspector Official Diary nr 559/2013) and an updated, revised and expanded application was submitted in April 2014. The Chief Mining Inspectorate has found that the prerequisites for an Exploitation Concession are fulfilled, but leaves the Government to make a decision regarding Chapters 3 and 4 of the Environmental Code.

*An overview of Beowulf's principal projects and exploration activities is provided below.*

## **Kallak Iron Ore Project**

### **Introduction**

Kallak is located in the Jokkmokk municipality north of the Arctic Circle, approximately 40 kilometres ("km") west of Jokkmokk city centre and 80km southwest of the major iron ore mining centre of Malmberget in the Norrbotten County in northern Sweden. LKAB's Kiruna iron ore mine, the world's second largest underground mine, is located approximately 120km to the northeast.

Iron mineralization was first discovered in the Kallak area by the Swedish Geological Survey ("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. Two iron ore deposits were discovered, separated by only a few hundred metres in distance. Located in the same geological structures, the deposits may well be connected at depth and have been defined by the Company as the Kallak North and Kallak South deposits, respectively. Data from these surveys has now been compiled and interpreted.

Kallak is located within the Svecofennian shield, consisting of metamorphic, sedimentary and volcanic rocks that are commonly between 1900 and 1870 million years old.

The area around Kallak and the villages of Björkholmen and Randijaur is dominated by mafic to intermediary volcanites and metavolcanites as well as gabbro, diorite, diabase, ultramafic rocks and their metamorphic equivalents. The bedrock of the area is thus dominantly mafic. Only smaller areas with felsic rocks are found in the northeast, north west and south west. These areas consist of granites, syenites and their metamorphic equivalents, pegmatites and other felsic to intermediary rocks.

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 300m at both deposits. The mineralised structures at both Kallak North and Kallak South are almost vertically dipping, generally covered by only shallow (<2m) glacial overburden and, as such, are highly amenable to potential open pit mining. Some sections of the central part of Kallak South have, however, been found to be covered by more extensive glacial overburden covering the outcropping mineralised structures.

With one new licence area registered in February 2014, Ågåsjegge nr2, the project now covers a total area of approximately 80km<sup>2</sup>, comprising nine separate licences (Kallak nr1, Kallak nr2, Kallak nr3, Parkijaure nr2, Parkijaure nr3, Parkijaure nr4, Parkijaure nr5, Nautijaur nr1 and Ågåsjegge nr2).

### **Area description and accessibility**

Kallak comprises forested, low hilly ground close to a main paved road between Kvikkjokk and Jokkmokk.

The 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 300m 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.

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 settlements within the project area, with the closest villages being Björkholmen, approximately two kilometres to the northwest, and Randijaur approximately three kilometres to the east. The nearest railway (the 'Inland Railway Line') passes approximately 40km to the east. This railway line is connected at Gällivare with the 'Ore Railway Line', which is used by LKAB for delivery of their ore material to the Atlantic harbour at Narvik (Norway) or to the Botnian Sea harbour at Luleå (Sweden).

## **Kallak North and South drilling operations in 2014**

### **Kallak South**

A total of 5,051m of drilling was completed in the 2014 winter campaign, covering 16 holes all inclined at 45 or 60 degrees and directed towards the west. Iron mineralization was encountered in most holes. High grades and thicknesses of iron mineralization were encountered at depth in drillhole KS 14016. This hole returned an average grade of 52.87 per cent iron over an intersection of 36.35m, including a 16.68m section of 55.65 per cent iron. This high grade section is centrally located within an 89.32m long section of 42.09 per cent iron between 300.08m and 390.40m along the drillcore or vertically approximately 245m below surface. The iron mineralization is mostly comprised of massive hematite.

Drillhole KS 14016, which was the last hole drilled in the 2014 Kallak South campaign, was collared at the most easterly position on the drill tested east west profile. From iron mineralization encountered earlier in other holes further west in this profile, it is clear that the mineralization remains open to the south east and at depth.

The results of KS 14016 are by far the most interesting of the received assays with the highest grades of iron over the longest intersections encountered in all of the Kallak drilling campaigns. Further to the north of drillhole KS 14016, iron mineralization was also noted in drillholes KAL 13055 and KAL 13056. This gives a 350m drill confirmed extension of mineralization in north to south strike length, with dip towards the south and south east. The full extension towards the south and south east remains open at depth.

The results of drillholes KS 14009, KS 14011 and KS 14013 indicated that these holes have been drilled somewhat east of the main ore zone. It may also be possible that this mineralization does not continue at depth and therefore further sections of mineralization were not encountered.

In the southern part of the Kallak South deposit the focus has been to extend the iron mineralization to the north from KAL 10054 where it was confirmed over significant width during the 2010 drilling campaign. Assays received from the 2014 drill campaign show that the iron mineralization, although weak, is intersected 200m north in KS 14012 and a further 100m north in KS 14008 and KS 14014. Thus, the iron mineralization at KAL 10054 is extending to KS 14014, with a confirmed length in north south direction of more than 300m, remaining open both to north and south and at depth.

The results confirm that there is a close correlation between the extension of the iron mineralization at Kallak South as obtained by drilling, and the results of detailed ground geophysical, gravimetric and magnetic exploration. These pronounced geophysical anomalies extend on surface more than 2,000m and as defined by drill intersections are more than 200m in width.

### **Kallak North**

A total of 3,156.3m of drilling was completed in the 2014 campaign for Kallak North, comprised of 10 drillholes mainly targeted on the southern and central part of the deposit. The assay results from KAL 14004 and KAL 14007, both collared in the central part of the Kallak North deposit, were very encouraging with significantly long intercepts of iron mineralization encountered in both holes, with similarities in grades and mineral character to earlier reported holes.

Drillhole KAL 14004, inclined at 60 degrees, returned an intersection of 232.61m with an iron average grade of 26.36 per cent iron, between 146.54m and 379.15m. Some longer parts of this section displayed grades of more than 35 per cent iron. Likewise drillhole KAL 14007, which was inclined at 60 degrees, also showed a remarkably long intersection of 298.36m, starting almost at bedrock surface and extending to 309.36m, with an average grade of 26.35 per cent iron. A 10.4m section of this hole ran at a higher grade of 41.18 per cent iron. This hole delivered the longest intersection of iron mineralization so far received of all drillholes at the Kallak North deposit since drilling commenced in 2010.

## **JORC Compliant Resource Statement for Kallak North and South deposits**

GeoVista AB was commissioned in October 2014 to provide an independent, updated resource statement for Kallak North, as well as a maiden resource for Kallak South. The mineral resource for Kallak North had previously been reported in March 2013, by GeoVista AB.

The mineral resource estimate for Kallak North and South is based on drilling conducted between 2010-2014, a total of 27,895m drilled, including 131 drillholes. A significantly lower price of \$90/t 62 per cent iron, as compared to \$150/t 62 per cent iron in the 2013 resource statement was used, with the potential for eventual open pit extraction being tested through open pit optimization using Whittle software.

The resource statement provided an increase of 34 per cent in indicated resource to 118.5Mt at 27.5 per cent iron from 88.3Mt at 27.7 per cent iron in the 2013 resource statement. A total inferred resource of 33.8Mt at 26.2 per cent iron, and an exploration target of 90-100Mt at 22-30 per cent iron representing potential ore below the pit shells and in the gap between drilling defined Kallak South mineralized zones was also reported.

Kallak, as defined by drilling, is approximately 3,700m in length and 350m in width. Kallak North remains open to the north and at depth, and Kallak South remains open both to north and south and at depth.

	Category	Tonnage Mt	Iron %	P %	S %
Kallak North	Indicated	105.9	27.9	0.035	0.001
	Inferred	17.0	28.1	0.037	0.001
Kallak South	Indicated	12.5	24.3	0.041	0.003
	Inferred	16.8	24.3	0.044	0.005
Global	Indicated	118.5	27.5	0.036	0.001
	Inferred	33.8	26.2	0.040	0.003

Notes:

1. The effective date of the Mineral Resource Estimate is 28 November 2014.
2. Resources have been classified as Indicated or Inferred, following the guidelines of the JORC Code, 2012 edition.
3. Cut-off grade of 15 per cent iron has been used.
4. Mineral Resources which are not Mineral Reserves have no demonstrated economic viability.

For Kallak North, a total of 14 mineralized lenses (domains) have been interpreted and modeled, delineating principally the distribution of magnetite versus hematite.

For the northern part of Kallak South, a total of 17 domains have been modelled, and for the southern part of Kallak South, a total of 9 domains are interpreted.

The mineralized area at Kallak North is approximately 1,100m long and at its widest part, in the center, approximately 350m wide. The deepest drillhole intercept is 350m below surface in the central part of the mineralization. In the southern and northern parts the intercepts are shallower, at 150-200m below surface. However, in the northern part there are no barren holes below the intercepts and so the mineralization is open at depth.

Exploration of Kallak South has been divided in two parts, the northern and southern ends, respectively. In the northern part, the mineralization is approximately 750m long and is up to 350m in width. The deepest drillhole intercept is 350m below surface. In the southern part, the mineralization is approximately 500m long and is up to 300m in width. The deepest drillhole intercept is 200m-250m below surface.

Approximately 800m in between the southern and northern parts of Kallak South has not been investigated by systematic drilling. The magnetic anomalous area is of equal or even bigger extension to that defined by drilling. The exploration potential is therefore considered high in this area and included within an exploration target reported with the resource statement made in November 2014.

Further to the south of Kallak, within other exploration permits controlled by JIMAB, there are further known magnetite occurrences, but the current level of investigation does not permit the estimation of additional mineral resource.

#### **Metallurgical test work on Kallak North material**

Metallurgical bench scale tests, including Davis Tube Recovery (DTR) tests were completed in 2010 by MINPRO AB ("MINPRO") of Strassa, Sweden ([www.minpro.se](http://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. Traditional treatment of the ore material by fine grinding and wet magnetic separation resulted in a clean magnetite pellet feed product containing 68.0 per cent iron corresponding to a recovery of 85.1 per cent. The head grade ore material contained 39.8 per cent iron, 33.1 per cent silica (SiO<sub>2</sub>), 0.57 per cent manganese (MnO), 0.09 per cent phosphorous (P<sub>2</sub>O<sub>5</sub>), 0.10 per cent titanium (TiO<sub>2</sub>) and 0.007 per cent sulphur. Further testing by MINPRO, using flotation techniques combined with wet magnetic separation, resulted in a final, high grade pellet feed product containing 70.4 per cent iron with low levels of contaminants such as phosphorous, manganese, sulphur and titanium.



In 2012, JIMAB commissioned MINPRO to perform further DTR tests, as well as bench scale grinding and magnetic separation, on composite samples extracted from six separate sections across the Kallak North deposit guided by advice from Micon. 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 used to plan for JIMAB's test mining and sampling programme in 2013 and the subsequent mineral processing tests, laboratory and pilot scale, conducted in early 2014.

The 2012 DTR tests, grinding to liberation and using wet low intensity magnetic separation techniques ("WLIMS") produced high grade concentrate 68.9-70.3 per cent iron suitable for pelletization.

### **Pilot scale test work on Kallak North material**

In late 2013, approximately 500t of ore from the test mining sampling programme completed on a defined area of the Kallak North deposit in summer 2013 was transported to a test facility in Outokumpu City, owned by GTK. The main portion of the material was a general composite bulk sample, representing all of the test mined sections at Kallak North in proportion to their respective occurrence.

GTK's initial report in respect of its test work was received in Q1 2014. Approximately 60 tonnes of the general composite bulk sample was tested during a two-week pilot campaign, primarily focusing on establishing recovery and product quality parameters for the magnetite content. Average iron content for the submitted sample was 29.5 per cent. The proportion of magnetite to hematite in the sample was established to be approximately 3.4:1.

The magnetite beneficiation circuit was conventional and straightforward, consisting of rod milling with rougher-scavenger cobbing LIMS ("Low Intensity Magnetic Separation") pre-concentration, followed by ball mill re-grinding together with six cleaner LIMS stages to achieve the final magnetite product. The grade and recovery levels were excellent. The amount of dry magnetite concentrate produced for downstream test work was approximately 2.7 tonnes, grading at 69.4 per cent iron at a magnetite recovery of approximately 95 per cent. Average silica content in the final product was 4.2 per cent and the levels of sulphur and phosphorous were insignificant, being below 0.01 per cent. The end product fineness was 80 per cent passing 25 microns.

The secondary objective, to produce a concentrate of the hematite content, was successful in respect of the quality aspect. A sample of 0.36t of dry hematite iron concentrate was produced, at an average grade of 66.6 per cent iron, containing 3.3 per cent silica, 0.03 per cent phosphorous and less than 0.02 per cent sulphur. The fineness was 80 per cent passing 175 microns. Several different flow sheet options were tested in order to maximise the hematite recovery, without fully reaching optimised levels. The best beneficiation result was achieved using a combination of spiral separators, supported by SLon HGIMS ("High-Gradient Intensity Magnetic Separator"), recovery remained at below 30 per cent. The short test work programme did not enable optimisation of the hematite beneficiation section. Process mineralogy studies proved that the hematite losses were mostly occurring in the very fine particle sizes.

In April 2015, bench scale test work has been resumed at GTK to identify opportunities to produce a "super" high grade concentrate lending itself to pelletization and consumption in DRI facilities in Europe and the Middle East, and commanding a significant price premium; the work will also generate critical design data for pre-feasibility studies.

### **Application for an Exploitation Concession for Kallak North**

In April 2013, JIMAB a subsidiary of Beowulf submitted an application to the Swedish Mining Inspectorate for an Exploitation Concession for Kallak North located in the Kallak nr1 permit area. Further to the Swedish Mining Inspectorate's consultation process, in late November 2013 CAB raised a number of queries and additional information requests on certain aspects of the Environmental Impact Assessment ("EIA") component of JIMAB's application. In April 2014, an updated and enhanced application dealing with CAB's queries was submitted.

In a letter to the Chief Mining Inspector, dated 1 October 2014, CAB expressed the belief that the effects of the possible transport routes, from the future mine through areas used for reindeer husbandry could be detrimental and that the Exploitation Concession should therefore not be granted by the Mining Inspectorate at this time.

In February 2015, the Chief Mining Inspector found that the prerequisites for an Exploitation Concession had been fulfilled, but left the Government to make a decision regarding Chapters 3 and 4 of the Environmental Code.

The Mining Inspectorate stated in their findings that:

- The Exploitation Concession which has been applied for covers an area which is deemed suitable in light of the discovery, purpose, and other circumstances;

- The Company has shown that a discovery of iron has been found, and is likely to be commercially viable;
- In the Chief Mining Inspector's opinion, the environmental impact study, with the supplements which have been made, meets the requirements set forth in Chapter 6 of the Environmental Code; and
- In the view of the Chief Mining Inspector, as CAB has not developed their arguments sufficiently regarding the scope of the encroachment on reindeer herding which will be caused by the concession area, the Chief Mining Inspector has decided to refer the issue to the Government.

Before the Mining Inspectorate's decision and further to CAB's response in October 2014 to the Company's application, the Company took the opportunity to make a further written submission to the Mining Inspectorate on issues identified by CAB regarding transport. In that submission the Company stated that it will not be proposing transport routes that pass in a north/north-easterly direction through the Jelka-Rimakåbbå Natura 2000 area, ensuring that future transport routes will not lead to a significant impact on reindeer husbandry as feared by the CAB.

Specifically to reindeer husbandry, the Company proposed precautionary and protective measures which resulted from analysis undertaken as part of its environmental impact assessment; these measures will be developed further in consultation with concerned Sami villages as part of the Company's application for an Environmental Permit. The Company also intends to establish a framework for compensatory measures and economic compensation in the event there are residual consequences for neighbouring communities. It is the Company's view that having put in place systems to manage its future operations, and frameworks to address residual consequences, that mining and reindeer husbandry can coexist.

The Company continues to engage with key stakeholders at the local and county levels, focus on strengthening relationships and addressing all outstanding concerns. The north of Sweden is seeking ways to stimulate economic growth, create jobs and slow down population decline and a mine at Kallak North is seen as part of the solution for achieving those goals. It is the Company's belief that the Exploitation Concession application satisfies all the requirements of the Swedish regulations and there should be no obstacle for an early and positive decision by the Swedish Government in favour of granting the concession for Kallak North.

## **Other Projects**

### **Ballek Copper-Gold Project**

The Ballek project, where Beowulf acts as operator is in the Arjeplog municipality in northern Sweden. The Group increased its interest from 50 per cent to 65.25 per cent in Wayland Copper Limited ("Wayland"), in accordance with the terms of a joint venture agreement with Energy Ventures Limited. Energy Ventures chose not to pro-rata fund in the most recent exploration campaign. The Company took control of the project during the year and Wayland became a subsidiary on 1 October 2014.

The project area contains the Lulepotten deposit on which a maiden independent JORC Compliant Inferred Resource estimate was compiled and reported in September 2008 of 5.4Mt, grading at 0.8 per cent copper and 0.3g/t gold, representing a total of 43,000t of contained copper metal and 52,000 ounces of contained gold at a cut-off value of 0.3 per cent for copper.

The latest drill programme commenced in December 2013 and a total of 2,039m of drilling across eight holes was completed by April 2014. The programme was sole funded by the Company. Five drillholes all located within one of the selected targets showed abundant mostly fracture type copper mineralization present in quartz veins at relatively shallow levels with assays ranging up to 3.70 per cent copper over a 1m section and 0.5 per cent copper over a 13.2m section. The copper mineralization identified at this target is located on the Lulepotten trend less than 3km to the north east directly along strike and with similar geological structures as those of the Lulepotten deposit.

The focus for Ballek in 2015 is on expanding the defined resource, initially through reassessing the significant geophysical work that has been undertaken to date, before embarking on further drilling.

### **Grundträsk Gold Project**

The Grundträsk Project, focused solely on gold, is 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 both available locally. Grundträsk has potential for a shallow depth gold resource, with gold bearing sulphide mineralization starting at depths of less than 12m, 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 800m. Historic drilling from 20 holes has returned gold grades of up to 5.2m at 4.28g/t, 4.62m at 2.8g/t, 5.7m at 2.53g/t and 16.9m at 1.86g/t.

The focus in 2015 is a desktop review of historic data and fieldwork. The Company will also consider the potential for joint venturing.

### **Munka Molybdenum Project**

The Munka molybdenum deposit is located in the municipality of Arjeplog approximately 40km north west 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 a resource, up to 100m depth, to be 1.7Mt grading at 0.156 per cent molybdenum. 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. Recent finds of high grade glacial boulders of unknown, non-drill tested, bedrock sources indicate that the deposit may be significantly larger.

In 2015, a desktop review will be undertaken together with fieldwork prior to the licence renewal in November 2015.

### **Nautijaure IOCG Project**

Nautijaure lies directly north and adjacent to Kallak. Based on regional geological and geophysical evidence, Nautijaure shows exploration potential for sulphides; the hypothesis being that in a large IOCG system, at the time of forming from worldwide references, there are a number of different metals (iron, sulphide metals, rare earths etc.) entering the sea water/floor in volcanic fluids, which deposit themselves at the interface. We have defined the large volumes of iron present at Kallak, and there could be associated metal deposits in close proximity. Fieldwork during 2014 season identified several copper sulphide rich boulders.

### **Agåsjegge Iron Ore Project**

Agåsjegge lies in close proximity to the northeast of Kallak, and shows exploration potential to host the same geological structures for iron mineralization as those seen at Kallak. The SGU has a historic resource estimate of 74-75Mt of magnetite, grade 30 per cent iron and almost free of impurities. Historic logs on two holes show mineralization in hole 72601 (west position) from depth at 16m, and in the 72602 hole (east position) from depth at 8.5m. Logging files show mostly classification QFA\_MIF, Quartz-Feldspar-Amphibole\_Magnetite iron formation, and QF\_MIF, intersected with pegmatite, PEG. The holes are 202.5m and 214m in length respectively.

**BOWULF MINING PLC**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £	2013 as restated £
<b>CONTINUING OPERATIONS</b>			
Administrative expenses		(1,032,355)	(1,115,988)
<b>OPERATING LOSS</b>			
		(1,032,355)	(1,115,988)
Share of post-tax losses of equity accounted joint venture		(2,552)	(4,559)
Finance costs	5	(2,032,835)	(1,109,028)
Finance income		6,397	43,061
<b>LOSS BEFORE INCOME TAX</b>			
		(3,061,345)	(2,186,514)
Income tax expense		-	-
<b>LOSS FOR THE YEAR</b>			
		(3,061,345)	(2,186,514)
Loss attributable to:			
Owners of the parent		(3,060,482)	(2,186,514)
Non-controlling interests		(863)	-
		(3,061,345)	(2,186,514)
Loss per share attributable to the ordinary equity holder of the parent: Basic and diluted (pence)	2	(1.00)	(0.91)

**BEOWULF MINING PLC**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 £	2013 as restated £
<b>LOSS FOR THE YEAR</b>	(3,061,345)	(2,186,514)
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Revaluation of listed investments	986	(5,785)
	<u>986</u>	<u>(5,785)</u>
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Exchange losses arising on translation of foreign operations	(758,807)	(134,984)
Share of other comprehensive income of equity accounted joint venture	(8,021)	-
	<u>(766,828)</u>	<u>(134,984)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>	(765,842)	(140,769)
	<u>(765,842)</u>	<u>(140,769)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	(3,827,187)	(2,327,283)
	<u>(3,827,187)</u>	<u>(2,327,283)</u>
Total comprehensive income attributable to:		
Owners of the parent	(3,819,849)	(2,327,283)
Non-controlling interests	(7,338)	-
	<u>(3,827,187)</u>	<u>(2,327,283)</u>

**BOWULF MINING PLC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2014**

	Note	2014 £	2013 as restated £	1 January 2013 as restated £
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets	4	6,538,752	4,948,978	3,101,402
Property, plant and equipment		42,394	1,990	769
Investment in equity accounted Joint ventures		-	206,935	211,494
Investments		20,550	19,564	25,349
Loans and other financial assets		53,262	258,339	306,722
Derivative financial assets		-	635,603	-
		<u>6,654,958</u>	<u>6,071,409</u>	<u>3,645,736</u>
<b>CURRENT ASSETS</b>				
Trade and other receivables		42,445	261,612	150,695
Derivative financial assets	5	150,000	1,010,007	-
Cash and cash equivalents		186,889	1,983,616	3,697,771
		<u>379,334</u>	<u>3,255,235</u>	<u>3,848,466</u>
<b>TOTAL ASSETS</b>		<u>7,034,292</u>	<u>9,326,644</u>	<u>7,494,202</u>
<b>EQUITY</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	7	3,452,598	2,828,273	2,104,273
Share premium		15,009,812	14,078,466	10,858,905
Revaluation reserve		(9,450)	(10,436)	(4,651)
Capital contribution reserve		46,451	46,451	46,451
Share option reserve		69,318	67,760	67,760
Translation reserve		(927,835)	(167,482)	(32,498)
Accumulated losses		(11,025,834)	(7,965,352)	(5,778,838)
		<u>6,615,060</u>	<u>8,877,680</u>	<u>7,261,402</u>
Non-controlling interests		129,134	-	-
<b>TOTAL EQUITY</b>		<u>6,744,194</u>	<u>8,877,680</u>	<u>7,261,402</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables		290,098	448,964	232,800
<b>TOTAL LIABILITIES</b>		<u>290,098</u>	<u>448,964</u>	<u>232,800</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>7,034,292</u>	<u>9,326,644</u>	<u>7,494,202</u>

**BOWULF MINING PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital £	Share premium £	Revaluation reserve £	Capital contribution reserve £	Share option reserve £	Translation reserve £	Accumulated losses £	Total £	Non-controlling interest £	Total equity £
<b>Balance at 1 January 2013 as restated</b>	2,104,273	10,858,905	(4,651)	46,451	67,760	(32,498)	(5,778,838)	7,261,402	-	7,261,402
Loss for the year	-	-	-	-	-	-	(2,186,514)	(2,186,514)	-	(2,186,514)
Foreign exchange translation	-	-	-	-	-	(134,984)	-	(134,984)	-	(134,984)
Revaluation of listed investments	-	-	(5,785)	-	-	-	-	(5,785)	-	(5,785)
<b>Total comprehensive income</b>	-	-	(5,785)	-	-	(134,984)	(2,186,514)	(2,327,283)	-	(2,327,283)
<b>Transactions with owners</b>										
Issue of share capital	724,000	3,801,000	-	-	-	-	-	4,525,000	-	4,525,000
Costs associated with the issue of new shares	-	(581,439)	-	-	-	-	-	(581,439)	-	(581,439)
<b>Balance at 31 December 2013 as restated</b>	2,828,273	14,078,466	(10,436)	46,451	67,760	(167,482)	(7,965,352)	8,877,680	-	8,877,680
Loss for the year	-	-	-	-	-	-	(3,060,482)	(3,060,482)	(863)	(3,061,345)
Foreign exchange translation	-	-	-	-	-	(760,353)	-	(760,353)	(6,475)	(766,828)
Revaluation of listed investments	-	-	986	-	-	-	-	986	-	986
<b>Total comprehensive income</b>	-	-	986	-	-	(760,353)	(3,060,482)	(3,819,849)	(7,338)	(3,827,187)
<b>Transactions with owners</b>										
Issue of share capital	624,325	1,248,650	-	-	-	-	-	1,872,975	-	1,872,975
Costs associated with the issue of new shares	-	(317,304)	-	-	-	-	-	(317,304)	-	(317,304)
Equity-settled share-based payment transactions	-	-	-	-	1,558	-	-	1,558	-	1,558
Acquisition of subsidiary	-	-	-	-	-	-	-	-	136,472	136,472
<b>Balance at 31 December 2014</b>	3,452,598	15,009,812	(9,450)	46,451	69,318	(927,835)	(11,025,834)	6,615,060	129,134	6,744,194

**BEOWULF MINING PLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014	2013
	£	as restated £
<b>Cash flows from operating activities</b>		
Loss before income tax	(3,061,345)	(2,186,514)
Depreciation charges	8,227	664
Equity-settled share-based transactions	1,558	-
Impairment of exploration costs	3,187	-
Impairment of related party loan	-	184,558
Share of post-tax losses of equity accounted joint venture	2,552	4,559
Gain on asset acquisition arising on reclassifying joint venture as a subsidiary	(59,891)	-
Finance costs	2,032,835	1,109,028
Finance income	(6,397)	(43,061)
	<hr/>	<hr/>
	(1,079,274)	(930,766)
Decrease/(increase) in trade and other receivables	200,747	(141,351)
(Decrease)/increase in trade and other payables	(242,953)	103,684
	<hr/>	<hr/>
Net cash used in operating activities	(1,121,480)	(968,433)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(1,375,121)	(1,867,054)
Purchase of property, plant and equipment	(48,631)	(1,885)
Purchase of investments	-	(57,023)
Sale of investments	49,205	-
Funding of joint venture	(294,639)	(29,966)
Acquisition of subsidiary cash	1,168	-
Interest received	6,397	23,611
	<hr/>	<hr/>
Net cash used in investing activities	(1,661,621)	(1,932,317)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	887,975	800,000
Payment of share issue costs	(182,304)	(56,439)
Settlement of derivative financial asset	312,775	445,362
	<hr/>	<hr/>
Net cash from financing activities	1,018,446	1,188,923
	<hr/>	<hr/>
<b>Decrease in cash and cash equivalents</b>	(1,764,655)	(1,711,827)
Cash and cash equivalents at beginning of year	1,983,616	3,697,771
Effect of foreign exchange rate changes	(32,072)	(2,328)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	186,889	1,983,616
	<hr/>	<hr/>



# **BEOWULF MINING PLC**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### **1. ACCOUNTING POLICIES**

##### **Nature of operations**

Beowulf Mining plc (the "Company") is a company registered in England and Wales. The address of the Company's registered office is 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT. The Group is engaged in the acquisition, exploration and evaluation of natural resources assets and has not yet generated revenues.

##### **Going concern**

The Group is engaged in the acquisition, exploration and evaluation of natural resources assets and has not yet generated revenues. During the year the Company incurred a loss of £3,061,345.

In common with many exploration companies, the group raises finance for its working capital, acquisition, exploration and evaluation activities in discrete tranches and further funding will be required before the end of 2015. Based on current discussions the Directors have a reasonable expectation that the required, new funds will be secured from existing or potential investors. On this basis the Directors have therefore concluded it is appropriate to prepare the financial statements on a going concern basis. However, whilst the Directors are confident that they are taking all the necessary steps to ensure that the required finance will be available, there can be no certainty that this will be the case. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's and the Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that may be necessary should the Company be unsuccessful in raising the required finance.

##### **Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis in accordance with applicable International Financial Reporting Standards as adopted by the European Union ("IFRS") and with those parts of the UK Companies Act 2006 applicable to companies reporting under IFRS as adopted by the European Union. The financial statements are presented in GB Pounds Sterling. They are prepared on the historical cost basis or the fair value basis where the fair valuing of relevant assets and liabilities has been applied.

##### **New standards and interpretations applied**

In preparing these financial statements the Company has reviewed all new standards and interpretations.

##### **New standards, interpretations and amendments effective from 1 January 2014**

The Group adopted all relevant new standards, interpretations and amendments effective from 1 January 2014. One new standard adopted had an impact on the financial statements. The nature and effect of the new standard and amendment adopted by the Group is detailed below. No other standards, interpretations or amendments had an effect on the financial statements for the year ended 31 December 2014.

##### **IFRS 11 – Joint arrangements**

During the year ended 31 December 2014, the Group adopted IFRS 11 'Joint Arrangements' which was effective for periods beginning on 1 January 2014. The Directors have considered the factors specified within IFRS 11 and classified the interest in the jointly controlled entity, Wayland Copper Limited as a joint venture. Under the requirements of IFRS 11, joint ventures are accounted for using the equity accounting method. Joint ventures are initially recognised at cost and subsequently adjusted for the Group's share of the profit or loss and other comprehensive income in the joint venture.

The accounting policy adopted prior to the implementation of IFRS 11 followed the requirements of IAS 31 'Financial reporting of Interests in Joint Ventures' under which the Group had accounted for the interest in the jointly controlled entity using the proportional consolidation method.

The Group has retrospectively restated the 2013 figures to reflect this change in accounting policy.

**BOWULF MINING PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**2. LOSS PER SHARE**

**Basic loss per share**

The calculation of basic loss per share at 31 December 2014 was based on the loss attributable to ordinary shareholders of £3,060,482 (2013: £2,186,514) and a weighted average number of Ordinary Shares outstanding during the period ended 31 December 2014 of 304,755,824 (2013: 241,137,381) calculated as follows:

**Loss attributable to ordinary shareholders**

	2014	2013 as restated
	£	£
Loss attributable to ordinary shareholders	3,060,482	2,186,514

**Weighted average number of ordinary shares**

	2014 Number	2013 Number
Number of shares in issue at beginning of year	282,827,365	210,427,365
Effect of shares issued during year	21,928,459	30,710,016
Weighted average number of ordinary shares in issue for the year	304,755,824	241,137,381

There is no difference between the basic and diluted loss per share.

**3. PRIOR YEAR ADJUSTMENT**

During the year the interpretation of IFRS 11 Joint Arrangements has been reviewed and amended. Previously, joint arrangements were accounted for using proportional consolidation but under the new interpretation joint arrangements are accounted for using equity accounting. The effect of the new interpretation is presentational affecting the consolidated income statement and consolidated statement of financial position. The amendment is shown as a prior year adjustment within these financial statements.

In 2012 a full provision was made in the Revaluation Reserve in respect of a £95,000 investment in Agricola Resources Plc following its de-listing from the PLUS market. A prior year adjustment has been made to transfer this impairment in value of the investment from Revaluation Reserve to Accumulated Losses to reflect the permanent diminution of value following the de-listing.

# BEOWULF MINING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

### 4. INTANGIBLE ASSETS

	Exploration costs £
<b>COST</b>	
At 1 January 2013 as restated	3,101,402
Additions for the year	1,867,054
Foreign exchange movements	(19,478)
	<hr/>
At 31 December 2013 as restated	4,948,978
	<hr/>
At 1 January 2014 as restated	4,948,978
Additions for the year	1,375,499
Acquisition of subsidiary	838,216
Impairments recognised	(3,187)
Foreign exchange movements	(620,754)
	<hr/>
At 31 December 2014	6,538,752
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2014	6,538,752
	<hr/>
At 31 December 2013	4,948,978
	<hr/>
At 1 January 2013	3,101,402
	<hr/>

The net book value of exploration costs is comprised of expenditure on the following projects:

	2014 £	2013 £
Kallak	5,416,587	4,610,704
Grundtrask	285,543	325,762
Majves	-	2,875
Munka	6,836	7,804
Norrbotten	-	763
Ballek	829,786	1,070
	<hr/>	<hr/>
	6,538,752	4,948,978
	<hr/>	<hr/>

Total Group exploration costs of £6,538,752 are currently carried at cost in the financial statements. The Group will need to raise funds and/or bring in joint venture partners to further advance exploration and development work and take it through to development. If insufficient funds are raised then some of the assets may require impairment.

During the year an impairment provision of £3,187 (2013: £nil) was made against costs incurred on Majves and Norrbotten on the basis that no further exploration would be carried out on those sites. The impairment is charged as an expense and included within the consolidated income statement.

# BEOWULF MINING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

### 5. DERIVATIVE FINANCIAL ASSETS

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

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

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

To the extent that the Company's share price was greater or lower than the Reference Price at each swap settlement, the Company received greater or lower consideration calculated on a pro-rata basis. The valuation for each settlement was determined to be the volume weighted average share price for the preceding 5 trading days up to the relevant settlement date.

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

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

The fair value of the derivative financial assets entered into in 2013 as at 31 December 2014 has been determined by reference to the Company's then prevailing share price and has been estimated as follows:

	Share price	Notional number of shares outstanding	Fair value £
Value recognised on inception (notional)	8.3333p	48,000,000	3,200,000
Consideration received to 31 December 2013		(8,896,690)	(445,362)
Loss on revaluation of derivative financial asset at 31 December 2013			(1,109,028)
Value of derivative financial asset at 31 December 2013	5.8750p	39,103,310	1,645,610
Consideration received in the year		(10,000,000)	(298,608)
Loss on revaluation of derivative financial asset recognised in the year		-	(1,402,754)
Value of derivative financial asset at 31 December 2014	1.4750p	29,103,310	(55,752)

**BOWULF MINING PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

5. **DERIVATIVE FINANCIAL ASSETS (continued)**

The settlements scheduled for June 2014 under the equity swap agreements were not completed, and the Company and Lanstead have mutually agreed to defer all further settlements until the completion of a new 12 month equity swap agreement entered into in August 2014.

In August 2014, as part of a two stage subscription to raise, in aggregate, £1.738m (before expenses) from certain new shareholders, the Company issued 17,924,000 Ordinary Shares at a price of 3p per share to Lanstead with a value of £537,720. The Company simultaneously entered into an equity swap price mechanism with Lanstead for 75 per cent of these shares with a reference price of 4p per share. All 17,924,000 Ordinary Shares were allotted with full rights on the date of the transaction.

In September 2014, following the receipt of shareholders' approval at a duly convened general meeting, the Company issued a further 15,409,333 Ordinary Shares at a price of 3p per share to Lanstead with a value of £462,280. The Company entered into an equity swap price mechanism on the same basis as in August 2014. All 15,409,333 shares were allotted with full rights on the date of the transaction.

Accordingly, pursuant to the above arrangements, of the aggregate subscription proceeds of £1m received from Lanstead, £850,000 (85 per cent) was invested by the Company in the equity swap agreements with the remaining £150,000 (15 per cent) available for general working capital purposes.

The Company also issued, in aggregate, a further 4,500,000 Ordinary Shares to Lanstead as a value payment in connection with the equity swap agreements.

The fair value of the derivative financial assets entered into in 2014 as at 31 December 2014 has been determined by reference to the Company's then prevailing share price and has been estimated as follows:

	Share price	Notional number of shares outstanding	Fair value £
Value recognised on inception (notional)	4.0000p	25,000,000	850,000
Consideration received in the year		(1,120,250)	(14,167)
Loss on revaluation of derivative financial asset recognised in the year			(626,884)
Value of derivative financial asset at 31 December 2014	1.4750p	23,879,750	208,949

On 7 January 2015, it was mutually agreed to accelerate all settlements under the Equity Swap Agreements between Lanstead and the Company for an amount of £150,000 which equated to the approximate total fair value of the derivative financial asset at 31 December 2014 as shown in the table below:

Fair value of derivative financial assets

	£
Derivative financial asset issued 2013	(55,752)
Derivative financial asset issued 2014	208,948
Value of derivative financial asset at 31 December 2014	153,196

# BEOWULF MINING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

### 5. DERIVATIVE FINANCIAL ASSETS (continued)

The fair value loss on derivative financial assets shown in the Consolidated Income Statement for the year amounted to £2,032,835 (2013: £1,109,028). The carrying value of the derivative financial assets at 31 December 2014 in the Statement of Financial Position is £150,000 (2013: £1,645,610).

	2014 £	2013 £
Due within one year	150,000	1,010,007
Due after more than one year	-	635,603
	<u>150,000</u>	<u>1,645,610</u>

### 6. ACQUISITIONS

During the year ended 31 December 2014, Beowulf Mining plc sole funded exploration work undertaken on the Ballek copper-gold project through the joint venture entity, Wayland Copper Limited and its subsidiary, Wayland Sweden AB.

Under the terms of the joint venture agreement, following this contribution to the joint venture, Beowulf Mining plc had the right to change the composition of the Board from the point that the funding was made and also took over the role of operator for the project. The controlling interest held by each of the joint venture partners has been adjusted to represent their effective contributions. As a result, Beowulf Mining plc increased its effective control in the joint venture, Wayland Copper Limited, to 65.25% from 1 October 2014.

In the view of the Directors, Beowulf Mining plc has the ability to control the joint venture entity and has therefore consolidated the results of the joint venture entity within the results of the Group from 1 October 2014. The acquisition of Wayland Copper Limited has been treated within the financial statements as an asset acquisition and not as a business combination under IFRS 3 *Business Combinations* ("IFRS 3").

At 1 October 2014, the assets and liabilities of Wayland Copper Limited and its subsidiary Wayland Sweden AB were:

	£
Non-current assets	838,216
Current assets	1,865
Current liabilities	(447,356)
Net assets	<u>392,725</u>

### 7. SHARE CAPITAL

	2014 Number	2014 £	2013 Number	2013 £
Allotted, called up and fully paid				
At 1 January	282,827,365	2,828,273	210,427,365	2,104,273
Issued during the year	62,432,484	624,325	72,400,000	724,000
	<u>345,259,849</u>	<u>3,452,598</u>	<u>282,827,365</u>	<u>2,828,273</u>

**BEOWULF MINING PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**7. SHARE CAPITAL (continued)**

The Company has removed the limit on the number of shares that it is authorised to issue in accordance with the Companies Act 2006.

*Shares issued in 2014*

In August 2014 the Company raised £1,600,000 before fees and expenses by way of a subscription of 53,333,333 new Ordinary Shares of 1p each at a premium of 2p per share. £850,000 of the proceeds was satisfied by the issue of derivative financial instruments with the balance of £750,000 being issued for cash.

In August 2014 the Company issued 4,500,000 new Ordinary Shares of 1p each allotted as fully paid at a premium of 2p per share, in settlement of fees in respect of the above subscription.

In September 2014 the Company raised £137,974 before fees and expenses by way of a subscription of 4,599,151 new Ordinary Shares of 1p each allotted as fully paid for cash at a premium of 2p per share.

*Shares issued in 2013*

In July and August 2013, the Company raised £4,000,000 before fees and expenses by way of a subscription of 64,000,000 new Ordinary Shares of 1p each at a premium of 5.25p per share. £3,200,000 of the consideration was satisfied by the issue of derivative financial instruments with the balance of £800,000 being issued for cash.

In July and August 2013, the Company issued 6,400,000 new Ordinary Shares of 1p each allotted as fully paid at a premium of 5.25p per share, in settlement of fees in respect of the above subscription.

In August 2013, the Company issued 2,000,000 new Ordinary Shares of 1p each allotted as fully paid for cash at a premium of 5.25p per share.