



Norrköping 2019.04.01

Minister Ibrahim Baylan
Department of Industry and Enterprise

Dear Ibrahim,

The mining industry is crucial for Sweden's future. Mines contribute to growth, strengthen local communities and are an engine for development, especially in northern Sweden. Not least LKAB's and Boliden's long-standing business proves this. Many therefore received LKAB's warning that the ore in the Kiruna mine will be depleted earlier than expected with astonishment and concern. Your predecessor Mikael Damberg encouraged the company to further explore and identify new deposits but did not exclude the company from solving the issue abroad. The reactions that followed LKAB's message show with great clarity that continued mining of iron ore in Sweden is a critical issue for both Norrbotten and Sweden.

Therefore, it is regrettable that promising mining projects in different parts of Sweden are held back, although they can be crucial to the future prosperity of local communities and sustainable growth. Beowulf first submitted its application for a processing concession for the Kallak project in Jokkmokk in April 2013! Since then, the case has been sent back and forth between Bergsstaten, the County Administrative Board ("CAB") in Norrbotten, the Swedish Environmental Protection Agency, the National Heritage Board and the government. The issue is since 2017 for the second time at the government's table for a decision. Beowulf Mining has been waiting for over five years for a final decision on the issue! So far, the company has invested over SEK 77 million in the project, the largest unexploited iron ore deposit in Europe. Despite the long waiting period and thus the following uncertainty, we have continued to invest in the project, on assurances from Swedish authorities, such as Bergsstaten's recommendation that the Concession be awarded, and because we are convinced that we have fully met the conditions for a processing concession.

We are particularly critical of the CAB's handling of our application and its consistent failure to follow the prescribed review process. In its last statement, November 2017, the CAB misrepresented the potential economic impact of the project, contradicting its earlier position in July 2015 when it considered the northern and southern parts of the Kallak project. In 2017, the CAB selectively considered the northern part only, which on its own could support mining over 14 years. Our proclaimed intention has always been to exploit the southern part of Kallak as a follow-on to Kallak North, and this could extend the mine life to 25 years or more.

It is unacceptable for Swedish authorities to have been watching the Company invest over 10 years doing significant work, and still not take a decision. Kallak is the main asset of the Company on which we are building our future. We have done everything we can to secure that our application follows all the rules. We are not the size of LKAB or Boliden, so for Beowulf and its shareholders the investment of SEK 77 million is a matter of survival. We believe that if Bergsstaten has said the Concession should be awarded, then it should be a straightforward decision for the Government and not a politicised issue.

Our view is that a modern, sustainable mine in Kallak favours Jokkmokk's long-term welfare and supports the development of a diversified and sustainable future. In a study in 2017, the research institute Copenhagen Economics concluded that a mine in Kallak can directly and indirectly contribute about 550 new jobs and over SEK one billion in local tax revenue over a 25-year period. In relation to the size of the local labour market, 550 jobs are a huge increase. The same increase in Stockholm would correspond to approximately 50,000 jobs. Today Jokkmokk municipality struggles with a deteriorating economy and has declared a need for drastic cuts of SEK 28 million over the coming two years. A major mining investment would contribute to turn that trend around.

A mine in Kallak would also require energy and capacity from railways and port, thereby becoming an important future customer strengthening important regional actors such as Vattenfall, Inlandsbanan and the Port of Luleå, all natural collaborators for Beowulf. The mine would stimulate the growth ambitions of those businesses, favouring the owner municipalities. Strong infrastructure in Norrbotten is a prerequisite for investments in new business development.

So far, the mine's impact on Sami culture and reindeer herding rather than jobs and finances has dominated the debate. Our view is that reindeer herding and mining can co-exist, which has been proven by several other mining projects. We have sought dialogue with Jåhkågasska Sameby to ensure good cooperation moving ahead, and we have contributed to the OECD Rural Policy Review 'Linking the Indigenous Sami People with Regional Development in Sweden', that was presented in Luleå recently. We intend to do everything we can to realise the recommendations of that report and remain ready for dialogue with the Samis to seek solutions. Our CEO met with the Sami President and other senior Sami parliamentarians in Luleå, and we hope that further meetings will be possible.

Other local stakeholders have shown great interest. We are particularly pleased that the municipal mayor Robert Bernhardsson and his counterpart in Luleå, Niklas Nordström, have been clear in their support for a mine, and we are in regular contact with the CEOs of Inlandsbanan and Port of Luleå as they look to Kallak as a future customer.

However, we also notice increasing concerns from key actors. Boliden's CEO Mikael Staffas commented at the Future Mine and Mineral Conference held in Stockholm in January 2019, that if a company invests and discovers a deposit, then it should be able to utilise the asset. Niklas Nordström recently said that "Sweden's mining policy has gone into deadlock" and that "it is extremely difficult to open new mines in Sweden". IF Metall's chairperson, Marie Nilsson, recently said that "the long permit processes scare investors off!" According to our

opinion, this must be reversed. We noted with satisfaction Prime Minister Stefan Löfven's statements in Radio Norrbotten: "Sweden should be a strong mining nation, but it is also important that we maintain sustainability, that we make it as environmentally friendly as possible" and his declaration recently that the government will introduce powerful measures to make "the whole country live". We fully agree.

61% of Beowulf is currently owned by Swedes, the Company is listed on the Swedish small business exchange Spotlight and has for many years been a committed investor in Sweden. For us it makes no sense for real concern to be shown for LKAB's shortfall in reserves at Kiruna, for great importance to be placed on Sweden's mining industry, for iron ore to be talked of as a strategic asset to the nation, for politicians across the political spectrum to be discussing the necessity for regional development across Sweden, and yet for the Swedish authorities to ignore a Company that has invested SEK 77 million in a rural community which holds the largest unexploited iron ore deposit in Europe.

Our ambition remains to take Kallak forward in partnership with the community in Jokkmokk, and to develop the most modern and sustainable mine. There is no better country than Sweden, with its world class mining sector, to realise such an ambition.

As far as we understand, there is currently no official deadline for managing our application, and we have no insight into the Government's decision-making process. I therefore hope that you can give us clarity on when a decision on our application will be made. I would gladly meet you in person to discuss our project, if there is such an opportunity.

Our experience, shared by several other mining companies, is having harmful consequences for Sweden's investment attractiveness for mining companies. I hope this trend can now be reversed under your leadership.

Kind regards,

Göran Färm

Chairman of the Board
Beowulf Mining PLC