BEOWULF MINING plc

ANNUAL REPORT 2016

Contents

Company Profile	2
Company Strategy	4
Chairman's Statement	5
Review of Operations and Activities	8
Board of Directors and Senior Management	24
Strategic Report	26
Report of the Directors	29
Remuneration Report	32
Corporate Governance Report	34
Independent Auditor's Report	36
Consolidated Income Statement	38
Consolidated Statement of Comprehensive Income	39
Consolidated Statement of Financial Position	40
Company Statement of Financial Position	41
Consolidated Statement of Changes in Equity	42
Company Statement of Changes in Equity	44
Consolidated Statement of Cash Flows	46
Company Statement of Cash flows	47
Notes to the Consolidated Financial Statements	48
Company Information	71

Company Profile

Beowulf Mining plc ("Beowulf" or the "Company") is listed on London's Alternative Investment Market ("AIM") (Ticker: BEM) and Stockholm's AktieTorget (Ticker: BEO).

The Company's most advanced project is the Kallak magnetite iron ore deposit located approximately 40 kilometres ("km") west of Jokkmokk in the County of Norrbotten, Northern Sweden. The Company is currently going through the process of obtaining an exploitation concession for Kallak North (the "Exploitation Concession"). Local infrastructure around the project is excellent, with all-weather gravel roads passing through the project area, and all parts are 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. The nearest railway (the Inlandsbahnen or 'Inland Railway Line') passes approximately 40km to the east. This railway line is connected at Gällivare with the 'Ore Railway Line', used by Luossavaara-Kiirunavaara ("LKAB") for delivery of its iron ore material to the Atlantic harbour at Narvik (Norway) or to the Botnian Sea harbour at Luleå (Sweden).

In 2016, in addition to Kallak, the Company was awarded two exploration licences in southern Sweden, Åtvidaberg nr 1 ("Åtvidaberg") and Sala nr 10 ("Sala"). The Åtvidaberg licence is in the Bergslagen area and covers 225 square kilometres ("km^2"). The exploration focus is on polymetallic discoveries. The Sala licence is located in Västmanland County and covers an area of 1,049 hectares ("ha"). The licence is prospective for lead-zinc-silver mineralisation and is situated 200 metres ("m") west of the former Sala silver mine.

On 8 January 2016, the Company acquired Oy Fennoscandian Resources AB ("Fennoscandian"), a company with a number of early stage graphite projects in Finland. This reaffirms the Company's Nordic focus and diversifies the exploration commodity mix to include industrial minerals. Both Sweden and Finland are ranked highly by the Fraser Institute in terms of their attractiveness as mining jurisdictions.

The management team's approach is to build strong working relationships and partnerships with key stakeholders in Sweden and Finland, encapsulated in the following mission statements:

"Visar respekt för alla intressenter"
"Vill samverka lokalt"
"Står för ansvarsfull utveckling"

"Kunnioittaa kaikkia sidosryhmiä"
"Toimia yhteistyössä paikallisten kanssa"
"Vastuullisuus"

"Showing respect to all our stakeholders"
"Becoming a local partner"
"Delivering responsible development"

Company Strategy

Beowulf's strategy is to build a sustainable Nordic focused mining company, that creates shareholder value through project exploration and development into production and cash flow, while preserving the Company's low sovereign risk profile.

The Company's priority is the award of the Exploitation Concession. Once this has been granted, the Company will push forward with a scoping study for Kallak ("Scoping Study").

The Scoping Study will pull together all the technical work completed to date and provide the roadmap for working towards pre-feasibility for Kallak. The study will also provide an updated economic analysis for the project. As the Company advances work on Kallak it will continue to consider the introduction of a strategic partner/investor, who understands the value of Kallak as a high quality asset, which could be in production within four to five years. Testwork has proved that a 'super' high grade magnetite concentrate can be produced, yielding over 71 per cent iron content, with low levels of deleterious elements, including phosphorous and sulphur, lending itself to pelletisation and consumption in Direct Reduction Iron ("DRI") facilities in Europe and the Middle East.

During the year, Beowulf advanced exploration on its graphite portfolio in Finland. The Company's ambition is to identify and develop a small scale graphite mining operation, within two to three years, focusing on adding value to mine production, and capturing the value usually lost to downstream players. Positive cashflows will support the Company's other exploration activities. The Company was also awarded the Åtvidaberg and Sala exploration licences in Sweden, with efforts being focused on Åtvidaberg. Beowulf is systematically collecting and interpreting historical data and undertaking cost effective exploration to increase the understanding of the licence area, and plan further work that will enable the selection of optimum drill targets.

The Board of Directors will continue to look beyond the Company for value creation opportunities.

Chairman's Statement

Dear Shareholders

Introduction

I had hoped that I would be commencing this Statement informing you that we had been awarded the Exploitation Concession, however, despite our best efforts, the process is still ongoing. Although the Company made significant progress in 2015, in gaining support for the Exploitation Concession, 2016 has seen further delays to the process.

The Company has continued to communicate with key stakeholders, with regular visits to Sweden and meetings with members of the Swedish Parliament, the County Administrative Board ("CAB"), the Mining Inspectorate, Jokkmokk Kommun, local business community in Jokkmokk, landowners and people of Jokkmokk. We have also been working with our public relations advisers in Sweden, to ensure that we are effectively communicating our vision for a modern and sustainable mining operation at Kallak, and have established a Facebook page to engage with our stakeholders in Jokkmokk and further afield. Kallak has the potential to transform Jokkmokk and give the community the thriving, diversified and sustainable economy it seeks and we continue to make a strong case for being awarded the Exploitation Concession, now with growing support from the community.

To date we have spent approximately SEK 72 million (or £6.4 million) on Kallak. Following the award of the Exploitation Concession, we plan to undertake the Scoping Study, which will pull together all the technical work completed to date and provide the roadmap towards pre-feasibility. The Scoping Study will also provide an updated economic analysis of the project.

In January 2016, the implementation of our strategy to be a Nordic focused mining company gained momentum with the acquisition of Fennoscandian, a company with a number of early stage graphite projects in Finland. This enabled Beowulf to diversify its exploration risk, both geographically and by commodity.

Kallak

Progress on the Company's Exploitation Concession in 2016 has been slow. On 23 February 2016, Tasman Metals ("Tasman") announced that it had been notified of a decision by the Supreme Administrative Court of Sweden ("SAC"), dated 22 February 2016, to cancel its Norra Kärr Mining Lease. The SAC determined that the decision by the Mining Inspectorate to grant the Norra Kärr Mining Lease to Tasman was incorrect, as the decision to grant the Mining Lease was not adequately supported by environmental studies into a future mining operation. As a result, the Norra Kärr Mining Lease was cancelled and the project reverted to an Exploration Licence. We believe that in the absence of the Norra Kärr judgement, made by the SAC, the Company would have been awarded the Exploitation Concession in early 2016 as our application had met all the requirements of the Swedish Minerals Act and the Environmental Code.

Following the SAC decision, the Government of Sweden handed back the decision on awarding the Exploitation Concession to the Mining Inspectorate, who then wrote to the CAB for an opinion on the Company's application. The CAB has so far failed to provide an opinion, making a statement on 1 February 2017 which asked the Mining Inspectorate to first resolve matters on the interaction between Kallak and Laponia, and also on national interests in the area of Kallak.

Despite further delays, we are pleased with the urgency shown recently by the Mining Inspectorate to move towards a decision on our application.

I would like to reiterate a number of key points regarding the Exploitation Concession process:

1. The Board believes the Company has carried out all the necessary work to enable the granting of the Exploitation Concession. The Company is committed to the responsible development of Kallak in partnership with the local community;
2. The Company did not agree with the Mining Inspectorate's recent decision to consult again with the Swedish National Heritage Board and the Swedish Environmental Protection Agency, as both these agencies have already reviewed the Company's application for an Exploitation Concession and provided comments;
3. The Company believes that it is not reasonable to presume that a mining operation at Kallak will have an adverse impact on the World Heritage Status of Laponia; with Laponia almost one million hectares, and Kallak approximately one thousandth of its size and 33.8km from the closest point of Laponia; and
4. Responding to the CAB's concerns with regards to the interaction between mining and reindeer herding, the Company eliminated the Jelka-Rimakåbbå transport route from future plans, and

Chairman's Statement

the Company's Environmental Impact Assessment for Kallak North ("EIA") contains established frameworks for preventative, precautionary and compensatory measures that could be developed into management plans, in consultation with the reindeer herding communities around Kallak.

Other exploration

In 2016, we commenced exploration on our graphite projects in Finland, and by February 2017, had completed eight diamond drill holes on the Aitolampi prospect.

We were also active on our Åtvidaberg licence in Sweden, where our early stage exploration has been positive delivering high value zinc and copper assays from a series of "grab" samples collected from old mine workings, together with the identification of 26 magnetic targets for further investigation. By adding exploration licences at Åtvidaberg and Sala, and investing time and money in Åtvidaberg, we are demonstrating our strong commitment to building a mining business in Sweden.

Shareholder base

Beowulf is 99 per cent owned by retail shareholders in Sweden and the UK. The number of Swedish shareholders on the share register continued to grow during 2016 and, at 31 March 2017, over 54 per cent of the Company is owned by Swedish shareholders compared to approximately 12 per cent when I joined the Company in September 2014. I would like to take the opportunity to thank our existing and new shareholders for their continued support.

Raising Finance

Maintaining sufficient funding to continue to invest in projects is the biggest challenge for any mining exploration and development company and without investment funds we cannot create shareholder value. We undertook two fundraisings in 2016, one in February 2016 with an over-allotment option in March 2016 which together raised £1.5 million (before expenses) (the "Q1 Fundraising") and one in December 2016 which raised £1 million (before expenses) of which £0.8 million came from Swedish investors (the "December Fundraising"). The Q1 Fundraising was completed at a placement price of 3.25 pence per share and the December Fundraising was completed at a price of 4.2 pence per share (and SEK 0.5 for participating Swedish shareholders).

Financial Performance

Loss before and after taxation attributable to the owners of the parent at £0.63 million is significantly down on the loss recorded in 2015 of £1.48 million. There were no impairment costs in 2016, compared with £1.12 million in 2015. General and administrative costs of £0.64 million were kept to a minimum and were slightly below last year (2015: £0.65 million).

Basic loss per share of 0.13 pence showed a 66 per cent improvement over last year (2015: loss per share of 0.38 pence).

Approximately £1.61 million in cash was held at the year end. During the year £0.62 million was spent on exploration and capitalised.

Corporate

It was announced that Mr Christopher Davies had been appointed to the Board as a Non-Executive Director on 4 April 2016. Chris, who is a Fellow of the Australasian Institute of Mining and Metallurgy, is an exploration/economic geologist with more than 30 years' experience in the mining industry. I am very pleased that Chris joined the Board as he has substantial knowledge of graphite and base metals.

We announced the divestment of the non-core Grundträsk gold project to Erris Resources Limited in October 2016. The project was fully impaired following a review in 2015. Beowulf will receive certain payments if future milestones are achieved.

In October 2016, the Company announced it had established a Swedish Advisory Board, and the appointment of two members, Mr Per G. Broman and Mr Jan-Olof Hedström to support the permitting and development of Beowulf's projects in Sweden, primarily Kallak. Mr Broman led the team which prepared the EIA for Kallak North and represented and supported the Company throughout the application process. Mr Hedström served as the Chief Mine Inspector and Head of the Mining Inspectorate of Sweden from 1997 to 2010.

I am very happy to have such well respected professionals advising and guiding us as we develop our business in Sweden.

Staff

On behalf of the Board, I would like to express my sincere thanks to our staff for their hard work and support during the past 12 months.

Outlook

The Company is in a stronger position than it was 12 months ago and we look forward to 2017 being a pivotal year for the Company, still with the expectation that the Exploitation Concession will be awarded, but also advancing our exploration programme on our graphite projects in Finland and our Åtvidaberg licence in Sweden.

Bevan Metcalf
Non-Executive Chairman
11 May 2017

Review of Operations and Activities

SWEDEN

Introduction

Sweden continues to be a prominent mining country and it is the largest iron ore (mostly magnetite) producer in the European Union. It provides modern, efficient and well-established infrastructure, excellent power accessibility and affordability, a highly skilled workforce, a very strong mining culture, a highly innovative and well-resourced mining sector, and a low sovereign risk profile.

Beowulf has been active in northern Sweden for more than ten years and the Kallak project has been the principal focus of the Group's exploration and development work in recent years.

The application for exploration permits and exploitation concessions is governed by the Swedish Minerals Act (1991:45) (the "Act"), which has been subject to amendments. 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 a further three years after the initial three, followed by another four year extension if special circumstances exist and, if exceptional circumstances exist, for another five years. The longest possible period of validity for any one permit is 15 years, during which an application for an exploitation concession must be made. An application for a mining concession must be lodged before the end of the fifteenth year.

Sweden Exploration Permits

Beowulf, via its subsidiaries, currently holds 11 exploration permits together with one registered application for the Exploitation Concession, as set out in the table below:

Permit Name/Minerals	Permit ID	Area (km^2)	Valid From	Valid Until
Parkijaure nr3 (Fe)[1]	2011:135	4.17	11/08/2011	11/08/2017
Parkijaure nr2 (Fe)[1]	2008:20	2.85	18/01/2008	18/01/2018
Kallak nr1 (Fe)[1,3]	2006:197	5.00	28/06/2006	28/06/2021
Kallak nr2 (Fe)[1]	2011:97	22.19	22/06/2011	22/06/2017
Kallak nr3 (Fe)[1]	2012:100	5.56	09/08/2012	09/08/2018
Parkijaure nr4 (Fe)[1]	2012:59	7.60	Applied for 02/05/2017	
Parkijaure nr5 (Fe)[1]	2013:36	6.22	04/03/2013	04/03/2019
Nautijaure nr1 (Cu)[1]	2012:57	8.80	Applied for 02/05/2017	
Ågåsjiegge nr2 (Fe)[1]	2014:10	11.14	24/02/2014	24/02/2020
Åtvidaberg nr1 (Pb,Zn,Cu, Ag)[2]	2016:51	225.12	30/05/2016	30/05/2019
Sala nr10 (Pb,Ag,Zn)[2]	2015:91	10.49	29/06/2016	29/06/2019
TOTAL:		**309.14**		

Notes:

1. held by the Company's wholly owned subsidiary, Jokkmokk Iron Mines AB ("JIMAB").
2. held by the Company's wholly owned subsidiary, Beowulf Mining Sweden AB.
3. an application for the Exploitation Concession was lodged on 25 April 2013 (Mines Inspector Official Diary nr 559/2013) and an updated, revised and expanded application was submitted in April 2014. On 21 September 2016, the Company submitted a letter to the Mining Inspectorate of Sweden, revising its application boundary to encompass both the Concession Area, delineated by the Kallak North orebody, and the activities necessary to support a modern and sustainable mining operation.

Review of Operations and Activities

Kallak Iron Ore Project

Introduction

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 Norrbotten County, northern Sweden. LKAB's Kiruna iron ore mine, the world's second largest underground mine, is located approximately 120km to the north east.

Iron mineralisation was first discovered in the Kallak area by the Swedish Geological Society ("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. This led to the discovery of the Kallak North and Kallak South deposits which are separated by only a few hundred metres in distance and, as the deposits are located in the same geological structures, the deposits may well be connected at depth. 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 intermediate volcanics and metavolcanics as well as gabbro, diorite and ultramafic rocks and their metamorphic equivalents. The bedrock of the area is thus predominantly mafic. Only smaller areas with felsic rocks are found in the northeast, northwest and southwest. These areas consist of granites and syenites and their metamorphic equivalents, pegmatites and other felsic to intermediate rocks.

The deposits are outcropping and consist of quartz banded magnetite haematite iron ore, comprised of fine grained banded magnetite and minor haematite, interlayered with quartz, feldspar and some hornblende. The dominant host rock is a grey, altered volcanic unit. 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 are located on topographically high ground. The northern deposit has a confirmed length extension of more than 1km and the southern deposit has a total length of more than 2km. 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.

Area description and accessibility

The Kallak project area 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 are 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 2km to the northwest, and Randijaur approximately 3km 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 its ore material to the Atlantic harbour at Narvik (Norway) or to the Botnian Sea harbour at Luleå (Sweden).

Kallak Resource

The Kallak North and Kallak South orebodies are centrally located and cover an area approximately 3,700m in length and 350m in width, as defined by drilling. The mineral resource estimate for Kallak North and South is based on drilling conducted between 2010-2014, a total of 27,895m were drilled, including 131 drillholes.

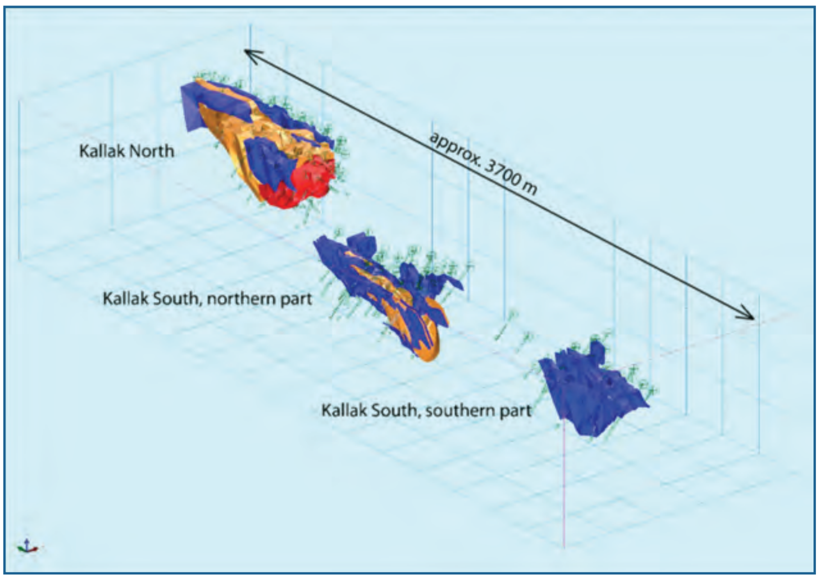
The latest resource statement for the Kallak project was finalised on 28 November 2014, following the guidelines of the JORC Code 2012 edition, summary as follows:

Project	Category	Tonnage Mt	Fe %	P %	S %
Kallak North	Indicated Inferred	105.9 17.0	27.9 28.1	0.035 0.037	0.001 0.001
Kallak South	Indicated Inferred	12.5 16.8	24.3 24.3	0.041 0.044	0.003 0.005
Global	Indicated Inferred	118.5 33.8	27.5 26.2	0.036 0.040	0.001 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 Fe has been used.
4. Mineral Resources which are not Mineral Reserves have no demonstrated economic viability.
5. An exploration target of 90-100Mt at 22-30 per cent Fe represents potential ore below the pit shells modelled for this resource statement, and in the gap between drilling defined Kallak South mineralised zones.
6. The resource statement has been prepared and categorised for reporting purposes by Mr. Thomas Lindholm, of GeoVista AB, Fellow of the MAusIMM, following the guidelines of the JORC Code, 2012 edition.

An overview of the interpreted mineralisation is shown in the diagram below.



Review of Operations and Activities

The mineralised area at Kallak North is approximately 1,100m long, from south to north, and, at its widest part in the center, is approximately 350m wide.

The deepest drillhole intercept is located some 350m below the surface in the central part of the mineralisation. In the southern and northern parts, the intercepts are shallower at 150-200m. However, in the northern part, there are no barren holes below them, so the mineralisation could continue at depth.

The investigations at Kallak South have been divided into two parts, the northern and southern ends respectively. In the northern part the mineralisation extends approximately 750m from north to south and has an accumulated width of 350m. The deepest drillhole intercept is located some 350m below the surface in the southern-most part of the mineralisation. In the southern part, the mineralisation extends approximately 500m from north to south and has a maximum width of just over 300m. The deepest drillhole intercept is located some 200m to 250m below the surface in the central part of the mineralisation.

Approximately 800m in between the southern and northern parts of Kallak South has not been investigated by systematic drilling. An exploration target of 90 million tonnes ("Mt") to 100Mt at 22-30 per cent iron has been assigned to the area between the southern and northern parts.

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

Metallurgical Testwork

There was no testwork undertaken in 2016.

The impetus for the 2015 testwork programme was the belief that even higher grade magnetite concentrate could be produced through the application of reverse flotation, and that the results would prove the suitability of the Kallak North magnetite concentrate for use in Direct Reduction Iron ("DRI") facilities and as chemical grade raw material. Kallak North has three main ore types, classified as follows:

'Blue' ore - magnetite rich;

'Green' ore - magnetite rich with haematite; and

'Red' ore - haematite rich.

The work at the Geological Survey of Finland ("GTK") applied reverse flotation on two of the three ore types, Blue and Green.

Head assays for the samples used were performed using X-Ray Fluorescence ("XRF") analysis for Green, Blue and Red samples. The main elements of interest are shown below:

Element	Green	Blue	Red
Fe %	31.9	36.5	37.9
SiO_2 %	47.7	40.6	40.8
Al_2O_3 %	2.92	2.41	1.84
CaO %	1.2	2.51	1.05
MgO %	2.37	2.58	2.59
P_2O_5 %	0.068	0.096	0.081
MnO %	0.229	0.51	0.296

This work was carried out by Labtium, who have a geo-analytical laboratory in Outokumpu City and are accredited according to ISO/IEC 17025 by FINAS (Finnish accreditation service).

Concentrate product results:
The table below shows detailed product specifications for concentrates produced in 2015 and, in italics, the results from the previous programme in 2014:

	Fe %	SiO_2 %	S %	CaO %	MgO %	Al_2O_3 %	TiO_2 %	Na_2O %	K_2O %	P_2O_5 %	MnO %
Magnetite (SGS certified, 2015)	71.5	0.62	<0.01	0.03	0.03	0.10	<0.01	<0.01	0.01	<0.01	0.48
Magnetite (GTK, 2014)	*69+*	*3.9*	*0.003*	*0.109*	*0.11*	*0.24*	*0.010*	*0.03*	*0.19*	*0.009*	*0.444*
Haematite (GTK, 2015)	68.3	2.03	0.005	0.15	0.25	0.20	0.26	0.02	0.019	0.04	0.023
Haematite (GTK, 2014)	*66.6*	*3.29*	*0.016*	*0.45*	*0.39*	*0.37*	*n/r*	*0.03*	*0.022*	*0.081*	*0.165*

Key:

Key: Fe – Iron, SiO_2 – Silica, S – Sulphur, CaO – Calcium Oxide, MgO – Magnesium Oxide
Al_2O_3 – Alumina, TiO_2 – Titanium Dioxide, Na_2O – Sodium Oxide, K_2O – Potassium Oxide, P_2O_5 – Phosphorous,
MnO – Manganese Oxide, n/r – not replaced

2013/2014 - Pilot scale test work on Kallak North material

In late 2013, approximately 500 tonnes 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.

Approximately 60 tonnes of the general composite bulk sample were 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 haematite in the sample was approximately 3.4:1.

The magnetite beneficiation circuit was conventional and straightforward, consisting of rod milling with rougher-scavenger cobbing low-intensity magnetic separation ("LIMS") 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 testwork 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 3.9 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 haematite content, was successful in respect of the quality aspect. A sample of 0.36 tonnes of dry

Review of Operations and Activities

haematite iron concentrate was produced, at an average grade of 66.6 per cent iron, containing 3.3 per cent silica, 0.08 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 haematite recovery, without fully reaching optimised levels. The best beneficiation result was achieved using a combination of spiral separators, supported by High-Gradient Intensity Magnetic Separator ("HGIMS"), recovery remained at below 30 per cent. The short test work programme did not enable optimisation of the haematite beneficiation section. Process mineralogy studies proved that the haematite losses were mostly occurring in the very fine particle sizes.

Application for the Exploitation Concession

2016 Update

On 23 February 2016, Tasman announced that it had been notified of a decision by the SAC, dated 22 February 2016, to cancel its Norra Kärr Mining Lease. On the basis of a review of the process of granting of the Mining Lease, the SAC determined that the decision by the Mining Inspectorate was incorrect, as the decision to grant the Mining Lease was not adequately supported by environmental studies into a future mining operation. As a result, the Norra Kärr Mining Lease was cancelled and the project reverted to an Exploration Licence.

Working practice in Sweden before the SAC judgement was to focus on the concession area and activities within it, with aspects of a future mining operation outside of the concession area being dealt with later, under Environmental Permitting.

On 15 April 2016, the Company responded to a letter from the Government of Sweden, requesting our opinion on the judgement of the SAC regarding Tasman's Norra Kärr project, and how it relates to the Company's application for the Exploitation Concession. The Company stated that the EIA completed in relation to the Exploitation Concession was in accordance with the SAC judgement, and suggested that the Government of Sweden return the Company's application to the Mining Inspectorate for further review.

In July 2016, the Government of Sweden asked the Mining Inspectorate to review the Company's application in the context of the SAC judgement. In October 2016 the Mining Inspectorate, in turn, wrote to the CAB asking the CAB several questions about the Company's EIA, and allowing them an extended deadline, of 28 February 2017, to respond.

On 21 September 2016, the Company provided a plan to the Mining Inspectorate, with a revised application boundary for Kallak North, encompassing both the 103-hectare Concession Area, delineated by the Kallak North orebody, and the area to be used for activities supporting the mining operation, all previously included in the EIA.

The Company remains of the opinion that the EIA has met the requirements of the Swedish Minerals Act and Environmental Code, is consistent with the SAC judgement in the case of Norra Kärr, and is comprehensive in its assessment of a future mining operation at Kallak, and associated environmental effects.

On 2 December 2016, the Company provided the CAB with a paper on the interaction of Kallak and Laponia, matters regarding Laponia's World Heritage Status and Heritage Impact Assessments. The purpose of the paper was to address matters raised by interested parties with respect to the Company's application, since the CAB's statement in October 2014. The paper directed the CAB to where matters raised are addressed in the Company's EIA, where the Company believes matters should be addressed under environmental permitting, and where the Company believes matters fall outside of the prescribed process for being awarded an Exploitation Concession.

Post year end

On 15 February 2017, the Company sent a letter to the Mining Inspectorate with comments on the statement made by the CAB on 1 February 2017. At that time the CAB announced it had referred the Company's application for an Exploitation Concession for Kallak North back to the Mining Inspectorate, with respect to matters regarding the effects of a future mining operation at Kallak on Laponia. The Company's letter to the Mining Inspectorate stated:

- the Company's application includes a technical description, covering the Concession Area, the actual deposit to be mined, and the operational facilities necessary to support mining. It also includes a comprehensive EIA, where all activities and their potential effects have been described;

- the Company has shown that a discovery of iron ore 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, meet the requirements set forth in Chapter 6 of the Environmental Code;
- however, in the view of the Chief Mining Inspector, as the 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;
- the EIA and other relevant documents have already been reviewed by the CAB, and other stakeholders, during the period from April 2013 to October 2014, and the Company has responded to all comments made;
- on 1 October 2014, the CAB confirmed that the Company's EIA was sufficient with respect to Chapters 3, 4 and 6 of the Environmental Code and on 7 July 2015, the CAB wrote to the Government of Sweden indicating that the Company's EIA application could be permissible with respect to Chapters 3 and 4 of the Environmental Code;
- the CAB's statements must be interpreted as if the CAB has no objections to the granting of an Exploitation Concession;
- the Company does not understand the legal basis for any process involving United Nations Educational, Scientific and Cultural Organisation ("UNESCO"), when considering the Company's application for an Exploitation Concession. The interaction between Kallak and Laponia, which is 33.8km away at its closest point, is something that should be assessed under environmental permitting; and
- within the Concession Area, there are no conflicts where national interests are considered, a fact stated by the CAB in July 2015, and for the areas taken by operational facilities necessary to support mining, there are also no conflicts where national interests are considered. Since February 2013, Kallak has been designated an Area of National Interest for its minerals and metals only, affording it protection against competing land use, and measures that may hinder future potential mineral extraction.

On 24 February 2017, further to an announcement on 22 February 2017 regarding the Exploitation Concession, the Company announced that it had written to the Mining Inspectorate, stating that it does not agree on consulting with the Swedish National Heritage Board (Riksantikvarieämbetet, "RAÄ") and the Swedish Environmental Protection Agency (Naturvårdsverket, "NV"), as both these agencies have already reviewed the Company's application for an Exploitation Concession and provided comments.

The Company stated that it is for the CAB to answer the Mining Inspectorate's questions and to give an opinion on the Company's application. The CAB has stated, on more than one occasion, that the Company's EIA is sufficient for an assessment, and in July 2015, the CAB detailed a robust economic case for Kallak.

The Company summarised arguments that support its case for the award of the Exploitation Concession, and stated that it will not be making any further detailed submission before the Mining Inspectorate consults with the RAÄ and NV. The Mining Inspectorate received comments back from the RAÄ and NV on 27 March 2017.

On 28 March 2017, the Mining Inspectorate wrote to the Company, and gave the Company the opportunity to submit comments and supplementary information further to the NV and RAÄ response by 28 April 2017.

On 29 March 2017, the Company met with the Mining Inspectorate to discuss the next steps in the process. The CEO outlined the Company's interpretation of the NV and RAÄ response, as follows:

- the focus of the response is the effect of Kallak on Laponia;
- it is acknowledged that Kallak does not directly affect Laponia;
- it is suggested that the Company should provide more details, to describe the indirect effects on Laponia, the interaction of mining and reindeer herding, and matters related to transport; and

Review of Operations and Activities

- the agencies have not been specific, as requested by the Mining Inspectorate, as to where the Company's EIA is insufficient in the detail provided.

On 28 April 2017, the Company submitted a document to the Mining Inspectorate in response to the RAÄ and NV comments on the impact of a mining operation at Kallak on Laponia.

The analysis follows UNESCO guidelines for conducting a Heritage Impact Assessment ("HIA"). Typically, a HIA is not required with an application for an exploitation concession, but the Company voluntarily produced one, with the support of its expert Swedish technical team and Swedish Advisory Board.

It has already been concluded, by RAÄ and NV, that a mining operation at Kallak will have no direct impact on Laponia. Kallak is 13.6km^2 compared to Laponia's 9,400km^2 and, at its closest point, Kallak is approximately 34km away from Laponia.

The Company maintains that its studies into reindeer herding support the case that mining and reindeer herding can cooperate and prosper side by side and, to the Company's knowledge, there is no evidence to suggest that they cannot. Kallak's area of 13.6km^2 compares to Jåhkågaska reindeer herding community's 2,640km^2 of grazing land or 0.5 per cent, as a percentage.

With regards to transport, solutions will be optimised, and sensibly controlled by the environmental permitting process, such that there should be no material effect on Laponia, and planning will involve other parties, including Trafikverket and Inlandsbanan. It is the Company's ambition to seek environmentally sensitive solutions with respect to all aspects of the Kallak project.

The Mining Inspectorate wrote to the CAB on 8 May 2017 including a copy of the documents submitted by the Company seeking a further opinion on the Exploitation Concession by 1 June 1 2017.

History – Pre 2016

Due to the importance of the Exploitation Concession to the Company, a history of the application process is listed below for shareholders.

In April 2013, JIMAB submitted an application to the Mining Inspectorate for an Exploitation Concession. Further to the Mining Inspectorate's consultation process, in late November 2013 the CAB raised a number of queries and additional information requests on certain aspects of the EIA component of JIMAB's application. In April 2014 an updated and enhanced application dealing with the CAB's queries was submitted to the Mining Inspectorate.

JIMAB added certain supplements to the EIA, along with further technical description and commentary. The enhanced report comprised 164 pages, including various figures and tables, with an additional 16 appendices, of more than 200 pages in length, covering various technical and specialist aspects based on work performed by the Company's expert team of Swedish consultants.

The EIA was supplemented in the following principal areas:

- The reindeer husbandry section was complemented by further analysis commissioned from consultants Swedish Geological AB. It was also supplemented and revised based on certain comments and information received from the local Sami villages.
- Additional investigations regarding safety aspects for hydroelectric power dams were conducted by Ramboll Sweden AB.
- Questions raised regarding security issues surrounding any tailings dams for the project were further investigated and addressed by Tailings Consultants Scandinavia AB.
- Various comments received on the socio-economic aspects were responded to by Luleå University of Technology.
- Additional investigations concerning local hunting and fishing activity and specialist environmental aspects, including water ecology and water chemistry, were conducted by Pelagia Miljökonsult AB based in Umeå.

- Additional information was gathered regarding Areas of National Interest and other interests of importance in respect of general water management and military defence aspects.
- Additional studies and inventories on the existing natural water sources in the project area were compiled by Hifab International AB, together with reports on dust and air quality issues.
- Further information was obtained on the Laponia World Heritage site located 33.8km away from Kallak, as well as on the general tourism industry in the Jokkmokk region sourced from the Destination Jokkmokk organisation.

The methodologies utilised in the enhanced EIA report were developed and conducted in accordance with the comments received from the CAB, and reflected the feedback from a constructive meeting held with representatives of Norrbotten County in March 2014.

In a letter to the Chief Mining Inspector, dated 1 October 2014, the CAB expressed the belief that the effects of 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 that time. In response to the CAB's concern the Company eliminated a specific route passing in a north/north-easterly direction through the Jelka-Rimakåbbå Natura 2000 area and any future interaction with important reindeer herding business in that area. This change was communicated in a written submission to the Mining Inspectorate in November 2014.

In February 2015, after further investigation, the Chief Mining Inspector concluded as follows:

- 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 ore has been found, and is likely to be commercially viable. In the Chief Mining Inspector's opinion, the EIA, with the supplements which have been made, meets the requirements set forth in Chapter 6 of the Environmental Code.
- However, in the view of the Chief Mining Inspector, as the 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.

In July 2015, the CAB was asked by the Government of Sweden to provide comments on the national economic assessment of Kallak North. The CAB's findings were that:

- Mining is economically relevant and that the Kallak North project generates economic benefits at local, regional and national levels, including direct and indirect jobs, tax revenues, and more broadly across mining equipment and services sectors in Sweden.
- The Concession Area applied for by the Company creates no conflicts where national interests are considered.
- The Concession is designated as an Area of National Interest for minerals. The Company should work with communities that could be affected by the development of a mining project, in order to eliminate or migrate any impacts, including reindeer herders and Sami villages.
- The Company should consider, in its ongoing studies, the potential impact of its mining activities on tourism and transport infrastructure.

In October 2015, the Mining Inspectorate wrote to the Government of Sweden and recommended that the Exploitation Concession be granted.

Review of Operations and Activities

Other Swedish Projects in the Portfolio

Åtvidaberg Volcanogenic Massive Sulphide ("VMS") lead-zinc-copper Project

The exploration licence for Åtvidaberg was awarded in June 2016. On 7 October 2016, the Company provided an update on the Åtvidaberg licence, reporting positive findings, high grade assays for "grab" samples taken from former mine sites on the licence, and the identification of 26 magnetic targets for further investigation. The work to date has given the Company's exploration team a better understanding of the geology of the area and the setting of different types of mineralisation. This has led to the definition of several "blind" exploration targets, for example, limited outcrops because of glacial till cover, and the identification of promising areas for further exploration. Below is a summary for the main prospects:

Bersbo

- Former mines in the Bersbo area, including the Grönhög mine, show evidence of high grade zinc mineralisation, that seems to have been previously classed as waste, which is found in both waste dumps and as road fill.
- 'Grab' samples of sphalerite (zinc ore) have yielded up to 19.7 per cent zinc, while waste samples with chalcopyrite (the main ore of copper), have yielded up to 1.7 per cent copper.
- The Bersbo ore occurs stratabound within interlayered felsic and mafic metavolcanic rocks.
- The ore is often associated with pyrrhotite, which means that aeromagnetic data can be used to trace potential mineralisation.

Mormor

- Mineralisation in the Mormors area appears to contain predominantly copper, and no zinc.
- Two waste dump samples from the area have yielded 4.42 per cent and 8.46 per cent copper.
- Quartz-veined samples from dumps at Mormorsgruvan have yielded up to 2.05 ppm gold.
- The Company will continue to explore for copper ore and quartz-veined gold mineralisation.
- The ore in the Mormors area is not consistently linked to high magnetic susceptibility minerals, with aeromagnetic data for the area showing that former mines do not lie on magnetic high anomalies, but rather on the gradients.
- In contrast, electromagnetic data shows that the former mines lie on high conductivity zones, possibly resulting from the presence of conductive copper mineralisation, together with abundantly evident pyrite.
- Mineralisation occurs in retrograde shear zones in potassium-altered felsic rocks. The host rocks are often enriched in biotite and quartz, are garnet-bearing, and often show intense deformation.
- Intense alteration by silification in metavolcanics, west of the Mormors mine area, appears to be accompanied by an increase in magnetite, but no significant mineralisation has been identified.

Sala Lead-Zinc-Silver Project

The Sala licence area covers 1,049ha and is located in Västmanland County, southern Sweden. The licence is prospective for lead-zinc-silver mineralisation and is situated 200m west of the former Sala silver mine. Sulphide mineralisation in the area is carbonate hosted, occurring dominantly as silver-bearing lead sulphide (galena), and zinc sulphide (sphalerite), and to a lesser extent as complex antimonides, sulphosalts and native silver.

The Sala mine was once Europe's largest silver producer, in continuous production between the late 15th century and 1908, and known for having some of the richest silver ores in the world. Mining records show that Sala was mined to a depth of approximately 300m, with mineralisation remaining open at depth.

Mining continued in 1950-51 and between 1945-62 at the adjacent Bronas mine.

Nautijaure IOCG ("Iron Oxide Copper Gold") Project

Nautijaure lies directly north of, and adjacent to, Kallak. Based on regional geological and geophysical evidence, Nautijaure shows exploration potential for IOCG style mineralisation. We have defined large volumes of iron present at Kallak, and there could be associated copper mineralisation in close proximity. Fieldwork during the 2014 season identified several copper sulphide rich boulders.

Ågåsjiegge Iron Ore Project

Ågåsjiegge lies in close proximity to the northeast of Kallak, and shows exploration potential to host the same geological structures for iron mineralisation as those seen at Kallak. The SGU has a historic resource estimate of 74-75Mt of magnetite, grading 30 per cent iron and almost free of impurities. Historic logs on two holes show mineralisation in hole 72601 (west position) from depth at 16m, and in the 72602 hole (east position) from depth at 8.5m. The holes are 202.5m and 214m in length respectively.

FINLAND

Introduction

Finland introduced a new Mining Act in 2011 (effective 1 July 2011) (the “New Act”). Under the New Act, an area may be reserved for a period of maximum 24 months. The reservation gives the holder the exclusive right to apply for an exploration permit within the boundaries of the area. Certain exploration work such as geological mapping, geophysical measurements and minor prospecting work can be carried out, provided that no damage is done to the landowner`s property or to the environment. Exploration work such as drilling and trenching can only be done with the landowners’ approval.

An exploration permit is valid for a maximum of four years and can be renewed for maximum three years at a time. An exploration permit can be valid for a maximum of 15 years if certain commitments are met. The exploration permit allows the holder to conduct exploration work such as trenching and drilling within the permitted area. An application for mining permit must be lodged before the end of the fifteenth year. A mining permit may be granted if the deposit is shown to be exploitable in terms of size, grades and technical characteristics. The mining permit entitles the holders to exploit the deposit and to conduct further exploration.

The key objective during 2016 has been to identify one project with the potential to become an operating mine. Due to limited funds, it was not possible to evaluate all the permits during the year. The focus was initially on Piippumäki and Haapamäki then, while exploring Haapamäki, we discovered a new prospective area at the eastern part of Haapamäki called Pitkäjärvi which post year end we have started to drill.

Review of Operations and Activities

Finnish Exploration Permits

Beowulf, via its subsidiary, Fennoscandian, currently holds four claim reservations and two exploration permits for graphite, and has applied for a further two graphite exploration permits.

Permit Name	Permit ID	Area (km^2)	Valid from	Valid until
Approved Claim Reservations:				
Pitkäjärvi 1	2016:0033-01	9.68	11/10/2016	31/12/2017
Kolari 1	2015:0037-01	9.70	07/10/2015	15/09/2017
Piippumäki 2	2015:0034-01	9.47	07/10/2015	09/08/2017
Haapamäki 1	2015:0032-01	9.66	07/10/2015	09/08/2017
Exploration Permits Awarded				
Pitkäjärvi 1	2016:0025-01	9.99	07/12/2016	10/01/2021
Piippumäki 2	2016:0006-01	0.31	12/12/2016	10/01/2021
Applied for Exploration Permits				
Haapamäki 1	2015:0025-01	4.77	Applied for 26/4/2016	
Viistola 1	2016:0025-01	0.74	Applied for 19/2/2016	

Haapamäki/Pitkäjärvi/Aitolampi – Graphite

Overview

- The Pitkäjärvi and Aitolampi graphite prospects were new discoveries in 2016, and are eastern extensions to the Haapamäki prospect. Haapamäki is in eastern Finland approximately 40km southwest of the well-established mining town of Outokumpu.
- Fennoscandian has 100 per cent owned claim reservations over two areas, 96.58km^2 at Haapamäki and 96.77km^2 at Pitkäjärvi, and a 100 per cent owned exploration permit, over 10 hectares, named Pitkäjärvi1.

Geology

- The area has several historic graphite workings, the locations of which correspond to ground and airborne electromagnetic ("EM") anomalies. The graphite occurs as high grade lenses hosted by mica-bearing gneisses; the metamorphic grade is typically upper amphibolite to granulite facies. Mapping and Slingram EM surveys conducted by Fennoscandian and Åbo Akademi during 2015 identified extensive conductor with potential for graphitic carbon mineralisation around historic workings at Käärmerinne and Suurenkahanvuori.
- Grab samples taken from mine workings yielded assays ranging from 48 per cent graphitic carbon ("Cg") to 67.7 per cent Cg. Historic studies have also reported visually estimated flake sizes ranging 0.1-2.0 millimetres ("mm").
- Pitkäjärvi and Aitolampi are areas of graphitic schists on a fold limb, coincidental with an extensive EM anomaly. Many of the EM zones are obscured by glacial till, but graphite observations in road cuttings and outcrops are also associated with abundant EM anomalies.

2016 Work Programme announced Post Year End

- Testwork on composite samples for Pitkäjärvi and Aitolampi has produced concentrate grades of 94.5 per cent Total Carbon ("Ct") and 94.7 per cent Ct, respectively.
- A secondary cleaning circuit produced grades of at least 95.7 per cent Ct in all size fractions between 65 mesh and 200 mesh (210-75 micron), with the highest grade of 97.4 per cent Ct obtained from the 80/+100 mesh (180-150 micron) size fraction for Pitkäjärvi (test MET-03-3). Most of the carbon in the samples was associated with graphite, with only small amounts of organic carbon and carbonate carbon.
- Flake size analysis for Pitkäjärvi concentrate showed 83 per cent fine (<150 micron), 5.6 per cent medium (150-180 micron) and 11.4 per cent large/jumbo (+180 micron) flakes.
- Flake size analysis for Aitolampi concentrate showed 78.3 per cent fine, 8.8 per cent medium and 12.9 per cent large/jumbo flakes.
- Inductively Coupled Plasma Optical Emission Spectrometry ("ICP-OES") scans and whole-rock analysis showed no elevated concentrations of typical deleterious elements.
- All testwork was performed by SGS Mineral Services in Canada.

Highlights of Aotilampi drilling programme announced Post Year End

- Eight holes drilled, approximately 1,197m in total, with the first four drill holes, AITDD17001-004, extending 350m along strike for the main conductive zone.
- Drill holes AITDD17005-008 tested the extent of mineralisation down-dip of the main conductive zone.
- Substantial graphite mineralisation intersections in all holes, including up to 113.5m down-hole width for the longest drill hole AITDD17006, which correspond with identified EM conductors. It should be noted that the mineralisation intercept is the down-hole width and may not be the true width.
- Drill holes AITDD17005-006 tested two parallel conductors to the main conductive zone and intersected graphite mineralisation for both conductors.
- The Company's geologists have completed core logging for all holes, and samples have been sent to ALS Minerals in Finland for assay.

Review of Operations and Activities

Kolari – Graphite

Overview

- The Kolari graphite project is in north-western Finland approximately 50km and 100km east of Talga Resources' (ASX:TLG) Vittangi project and Jalkunen graphite projects respectively, both of which are situated in Sweden.
- Fennoscandian has a 100 per cent owned claim reservation over an area of 96.97km^2. A desktop study of the area has been completed and shows extensive areas of graphitic schist.

Geology

- Archives at GTK provide information on drilling conducted by Rautaruukki Corporation in the 1970s. Diamond drill hole R1 intersected 170m of mineralisation starting from surface, with an average grade of 8.9 per cent Cg. The intersection included 15.8m grading 19.8 per cent Cg (Mattila,1978).
- It should be noted that mineralisation intercepts are the down-hole width and may not be the true width.
- The graphite encountered was described as very fine to fine microcrystalline graphite, within graphitic schists that are generally rich in quartz, feldspar, biotite and scapolite associated with greenstone-grade metamorphic rocks.

Piippumäki – Graphite

Overview

- The Piippumäki graphite project is in south eastern Finland approximately 45km southwest of the town of Mikkeli.
- Fennoscandian has a 100 per cent owned claim reservation over an area of 94.68 km^2.

Geology

- Historic small-scale mining for graphite has taken place in the area, with old workings corresponding to ground and airborne EM anomalies. The graphite is hosted by feldspar quartz and mica schists, associated with upper amphibole to granulite grade metamorphic rocks.
- Slingram EM surveys conducted by Fennoscandian and Åbo Akademi during 2013 and 2015 have demonstrated two conductive zones of possible graphite schist along a strike extent of up to 2km, with outcrop "grab" samples indicating grades of 5-10 per cent Cg (analysis performed by Sintef Molab AS, Norway). Fieldwork has also visually identified occurrences of coarse flake graphite.
- The Laboratory of Physical Chemistry, Åbo Akademi University conducted testwork in February 2013 on a sample from Piippumäki. Findings showed high quality graphite flakes with visible hexagonal growth, and physical characteristics reportedly similar to synthetic graphite.

Viistola – Graphite

Overview

- The Viistola graphite project is in eastern Finland approximately 30km southeast of the town of Joensuu.
- Fennoscandian applied for an exploration permit in February 2016 over an area of 0.74km^2.
- The graphite is hosted in a massive to brecciated graphitic schist associated with gabbro, quartzite, dolomite and phyllite country rocks.
- Based on historical diamond drilling, rock chip drilling, trenching and ground geophysics, a potential high grade target at Hyypiä, a prospect which forms part of the Viistola Project, has been identified and is anticipated to grade around 20-35 per cent Cg based on the preliminary evaluation of historic exploration data. The target represents less than 10 per cent of the total strike length of the prospective EM conductor.
- Two diamond drill holes tested the EM conductor 6km south of the Hyypiä prospect and intersected 9-10m apparent thickness of graphite schist.

Geology

- Historic exploration at Viistola includes:
  - o 1973-1974: GTK drilled 10 diamond drill holes (Pekkarinen,1979), which included:
    - R310: 21.7m of mineralisation from 47.6m (no grade reported). It should be noted that the mineralisation intercept is the down-hole width and may not be the true width;
    - R311: 7.8m at 36.2 per cent Cg from 172.0m. It should be noted that the mineralisation intercept is the down-hole width and may not be the true width; and
    - Flotation tests on core samples from drill hole R311 indicated that the Hyypiä flakes are predominately fine, with approximately 13 per cent larger than 210 microns and approximately 40 per cent finer than 63 microns.
  - o 1981-1983: GTK identified a graphite-bearing horizon associated with a 2km non-magnetic ground EM anomaly. GTK conducted trenching, including 72 surface drilling samples to identify the apparent width and quality of the graphite schist and drilled three holes. It should be noted that the mineralisation intercepts are the down-hole width and may not be the true width, and that core loss may have affected some of the drill results, which included the following composited assays:
    - R430: 14.6m at 31.8 per cent Cg from 48.5m;
    - R431: 15.2m at 25.3 per cent Cg from 44.2m; and
    - R432: 13.2m at 30.3 per cent Cg from 24.6m.
  - o 1984: Based on a combination of drilling and EM data, Sarapää and Kukkonen (1984) estimated a (historical) Mineral Resource of four million tonnes at 28.6 per cent Cg within the central part of the Hyypiä deposit (700m strike length).
  - o The deposit was 10-12m thick, dipping at 70 degrees to the southwest and was interpreted to extend to at least 200m depth.

Board of Directors

Bevan Metcalf
BMS ACA (NZ) - Non-Executive Chairman, Age 59

Mr Metcalf was appointed a Non-Executive Director of Beowulf in September 2014, became Senior Non-Executive Director in December 2014 and Non-Executive Chairman in May 2015.

Bevan served as the Chief Financial Officer of Afferro Mining Inc. from January 2008 until the sale of the Company in December 2013. He joined African Eagle Resources plc in July 2004 and served as Finance Director and Company Secretary. Bevan has over 30 years of financial management experience including international companies, such as ICI, GlaxoSmithKline and Orion Corporation.

Bevan holds a Management Studies degree from the University of Waikato, Hamilton New Zealand and is a qualified accountant (ACA NZ).

Kurt Budge
MBA MEng ARSM - Chief Executive Officer, Age 46

Mr Budge was appointed Chief Executive Officer of Beowulf Mining in October 2014 after joining the Company as a Non-Executive Director in September 2014.

Kurt has over 20 years' experience in the mining sector, during which he spent five years as a Business Development Executive in Rio Tinto's Business Evaluation Department, here he was engaged in mergers and acquisitions, divestments and evaluated capital investments. He has also been an independent advisor to junior mining companies on acquisitions and project development as well as a General Manager of Business Development, where he developed strategic growth and M&A options for iron ore assets.

Kurt was Vice President of Pala Investments AG, a mining focused private equity firm based in Switzerland and has worked as a mining analyst in investment research.

During the earlier part of his career he held several senior operations and planning roles in the UK coal industry with RJB Mining (UK Coal plc) and worked as a Venture Capital Executive with Schroder Ventures.

Kurt holds an M.Eng (Hons) degree in Mining Engineering from The Royal School of Mines, Imperial College London and an MBA from London Business School.

Christopher Davies
BSc Hons Geology, MSc DIC Mineral Exploration - Non-Executive Director, Age 59

Mr Davies joined the board of Beowulf as a Non-Executive Director in April 2016. Chris, who is a Fellow of the Australasian Institute of Mining and Metallurgy, is an exploration/ economic geologist with more than 30 years' experience in the mining industry. He has substantial knowledge of graphite and base metals, a particular skill set which will be complimentary to Beowulf's existing team. He was Manager for the exploration and development of a graphite deposit in Tanzania and has been involved with due diligence studies on graphite deposits in East Africa and Sri Lanka.

Chris has worked as a geologist in many different parts of the world including Africa, Australia, Yemen, Indonesia and Eastern Europe. His most recent role was as a Consultant to an Australian Group seeking copper-gold assets in Africa where he carried out technical due diligence and negotiated commercial terms for joint venture partnerships. Chris was Operations Director of African Eagle until March 2012 and Country Manager for SAMAX Resources in Tanzania, which was acquired by Ashanti Goldfields in 1998 for US$135m.

Senior Management

Liam O'Donoghue
Company Secretary

Mr O'Donoghue is a qualified corporate lawyer and director of the AIM specialist advisory and administration firm, One Advisory Group Limited.

Rasmus Blomqvist
Exploration Manager

Mr. Blomqvist, the founder of Fennoscandian, was appointed Exploration Manager in January 2016. Mr. Blomqvist has been working in exploration and mining geology for over 11 years and holds an MSc in Geology and Mineralogy from Åbo Akademi University, Turku Finland.

Since 2012, Mr. Blomqvist has been exploring for flake graphite within the Fennoscandian shield and is one of the most experienced graphite geologists in the Nordic region. Prior to Fennoscandian, Mr. Blomqvist was Chief Geologist for Nussir ASA, managing its exploration team and achieving significant exploration success for the company.

Prior to Nussir, Mr. Blomqvist worked as an independent consultant for several international mining companies including Mawson Resources, Tasman Metals and Agnico Eagle and has experience in graphite, gold, base metals and iron ore, within the Nordic region.

Mr Blomqvist is a member of the Australasian Institute of Mining and Metallurgy ("AusIMM").

Strategic Report

The Directors present their strategic report for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activities of the Group are the exploration and development for iron ore, graphite and other prospective minerals in the Nordic Region. A detailed review of the mining activities can be found under Review of Operations and Activities. The Group is controlled, financed and administered within the United Kingdom which remains the principal place of business.

REVIEW OF THE BUSINESS

The results of the Group for the year are set out in the consolidated income statement and show a loss after taxation attributable to the owners of the parent for the year of £632,125 (2015: Loss of £1,477,109). A comprehensive review of the business is given under the Chairman's Statement and Review of Operations and Activities.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are detailed below:

Description	Risk	Risk rating pre-mitigation	Mitigating action	Risk rating post-mitigation
Not obtaining an Exploitation Concession at Kallak North	The Company does not meet the environmental and other requirements for an Exploitation Concession	MEDIUM	In July 2015, the CAB supported the Company's application, and in October 2015 Mining Inspectorate recommended that the Exploitation Concession be awarded. The Company has responded to concerns raised and continues to engage with key stakeholders.	MEDIUM
Unable to raise sufficient funds	Unable to raise sufficient funds to invest in exploration and evaluation of its project portfolio	HIGH	Identify new investors and communicate effectively with all investors. Ensure expenditure controls are in place and forecasting is accurate to optimise cash resources.	HIGH
Long term adverse changes in commodity prices	Prices for graphite, iron ore and other commodities may affect the viability of the Company's projects	HIGH	The Company identifies projects that have a high quality resource so it can attract premium pricing. The Company will manage capital and operating expenses to maximise returns.	MEDIUM
Not discovering an economic mineral deposit	Very few projects go through to be developed into mines	HIGH	In Kallak the Company has a high quality resource which should attract premium pricing. Infrastructure to support a mine is excellent.	MEDIUM TO LOW
Revocation of licences	Licences are subject to conditions which, if not satisfied, may lead to the revocation of the licence	MEDIUM	The Company uses external consultants to manage its licences to ensure compliance.	LOW

Strategic Report

PERFORMANCE MEASUREMENT

The ongoing performance of the Company is managed and monitored using a number of key financial and non-financial indicators ("KPIs") on a monthly basis:

Financial:

i. Administration Expenses

Overheads are managed versus budget and forecast on a monthly basis. The Company has reduced its administration expenses over the last two years.

ii. Cash position

"Cash is king" for an exploration company and it must be managed accordingly. Monthly we analyse the expenditure of each subsidiary. We also manage monthly cash flow for the Group versus budget and forecast. The financial strategy is to ensure that wherever possible there are sufficient funds to cover corporate overheads and exploration expenditure for a 12-month period.

iii. Exploration expenditure by project

The Company controls its exploration spend by project versus budget and in relation to its available cash resources. If the results of exploration do not meet expectations, then budgeted activities are re-evaluated or even cancelled. Evaluation of early stage projects is approached in a cost effective way. The Group determines whether there are any indicators of impairment of its exploration assets on an annual basis.

iv. Share price

The Company monitors its share price on both AIM and AktieTorget monthly and versus a peer group of explorers. Many factors outside the Company's control can affect the share price but the Company appreciates that this KPI is important to shareholders and the market in general in assessing the Company's performance.

Non-financial:

v. Licence renewal compliance

It is important from a risk management perspective that the Company monitors the expiry dates of its exploration permits. This is managed internally for our Finnish graphite permits while in Sweden we use an external service provider to report on the status of our permits, and assist with renewal applications.

ON BEHALF OF THE BOARD:

Mr B Metcalf
Director
11 May 2017

Report of Directors

The Directors present their report, together with the audited financial statements of the Group, for the year ended 31 December 2016.

DIRECTORS

Since 1 January 2016 the following Directors have held office:

Mr B Metcalf

Mr K R Budge

Mr Christopher Davies
(Appointed 4 April 2016)

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2016 (2015: £nil).

GOING CONCERN

At 31 December 2016, the Company had a cash balance of £1.61 million.

Management have prepared cash flow forecasts which indicate that the Group has sufficient cash to cover its anticipated working capital requirements for the next twelve months, however, they expect that the Group will need to raise further funds for corporate overheads and to advance Kallak North and its other exploration assets in May 2018 or shortly thereafter.

The Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. The Directors are confident they are taking all necessary steps to ensure that the required finance will be available, and have successfully raised finance in the past. However, while they are confident of being able to raise the new funds as they are required, there are currently no agreements in place, and there can be no certainty that they will be successful in raising the required funds within the appropriate timeframe.

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 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 would result if the Company was unable to continue as a going concern.

SUBSTANTIAL SHAREHOLDINGS

The Directors are aware of the following who were interested, directly or indirectly, in 3 per cent or more of the Group's ordinary shares on 31 December 2016:

Shareholders	Shares	%
TD Direct Investing	28,242,612	5.62
Barclayshare Nominees Limited	21,238,129	4.23
HSDL Nominees Limited	15,416,740	3.07

Report of Directors

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 (unless renewed, varied or revoked by the Company prior to, or on, such date). At the AGM held on 29 June 2016, shareholders gave authority for the Directors to allot equity securities for cash up to an aggregate nominal value of £1,198,242 (2015: £561,639).

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.

EVENTS AFTER THE REPORTING PERIOD

Information relating to events since the end of the year is given in Note 21 to the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management policies and objectives for capital management are provided within Note 18.

FUTURE DEVELOPMENTS WITHIN THE BUSINESS

The Company explores for and evaluates iron ore, and other minerals in Sweden and for graphite in Finland.

The Company is focussed on its application for an Exploitation Concession at its Kallak iron ore project which was submitted four years ago. The Company is waiting for the Mining Inspectorate of Sweden to make a decision on granting the Exploitation Concession.

The Company completed a drill programme in March 2017 at its Aitolampi prospect, in Finland, part of Beowulf's 100 per cent owned exploration permit, Pitkäjärvi 1. The Company is currently evaluating the results and will make an announcement shortly. In addition metallurgical work on drill core will be undertaken during 2017.

The Company will look to advance its other exploration projects subject to funding.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the strategic report, annual report and the financial statements in accordance with applicable laws 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 Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") 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 Group and Company and of the profit or loss of the Group for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM and the rules of the AktieTorget in Sweden.

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 whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; 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 transactions and disclose, with reasonable accuracy, at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITOR

BDO LLP has extensive experience of working with AIM companies in the Natural Resources sector. BDO 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 Annual General Meeting will be held at 11.00 a.m. (BST) on 29 June 2017 at the offices of One Advisory Group, 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT. The Notice of Meeting including details of the proposed resolutions will be posted to shareholders in due course and will appear on the Company's website.

ON BEHALF OF THE BOARD:

Mr B Metcalf
Director
11 May 2017

Remuneration Report

Executive Directors' terms of engagement

Mr Budge is the sole Executive Director and Chief Executive Officer. His annual salary was increased for the first time in two years from £120,000 to £130,000 effective 1 November 2016. Mr Budge has a notice period of 12 months.

Non-Executive Directors' terms of engagement

The Non-Executive Directors have specific terms of engagement under a letter of appointment. Their remuneration is determined by the Board. In the event that a Non-Executive Director undertakes additional assignments or work for the Company, this is covered under a separate consultancy agreement.

Under Mr Metcalf's letter of appointment, he is paid a fee of £35,000 per annum as Non-Executive Chairman. Mr Metcalf has a consultancy agreement with the Company for financial and administrative advice and guidance as the Company does not yet have a Finance Director. Mr Metcalf has a one month notice period under his letter of appointment.

Mr Davies was appointed as a Non-Executive Director on April 4, 2016. Under Mr Davies letter of appointment, he is paid a fee of £25,000 per annum. Mr Davies has a consultancy agreement with the Company for the provision of exploration advice over and above his Non-Executive duties. Mr Davies has a one month notice period under his letter of appointment.

Indemnity Agreements

Pursuant to the Companies Act 2006 and the Company's articles of association, the Board may exercise the powers of the Company to indemnify its Directors against certain liabilities, and to provide its Directors with funds to meet expenditure incurred, or to be incurred, in defending certain legal proceedings or in connection with certain applications to the court. In exercise of that power, and by resolution of the Board on 26 July 2016, the Company has agreed to enter into this Deed of Indemnity with each Director.

Aggregate Directors' Remuneration

The remuneration paid to the Directors in accordance with their agreements, during the years ended 31 December 2016 and 31 December 2015, was as follows:

Name	Position	Salary & Fees[1]	Share-based Payments[2]	2016 Total	2015 Total
		£	£	£	£
Mr B Metcalf[3]	Non-Executive Chairman	59,375	18,875	78,250	110,483
Mr K R Budge	Chief Executive Officer	121,667	21,234	142,901	154,457
Mr C Davies[4]	Non-Executive Director	22,625	-	22,625	-
Other[5]		-	-	-	62,829
Total		**203,667**	**40,109**	**243,776**	**327,769**

Notes:

1. Does not include expenses reimbursed to the Directors.
2. In relation to options granted in 2014 & 2015.
3. Mr Metcalf's Chairman's fee is £35,000. Mr Metcalf also earned fees under his consultancy agreement in relation to financial advice as the Company does not yet have a Finance Director.
4. Mr Davies joined the Company on 4 April 2016.
5. Remuneration related to past Directors.

Each Director is also paid all reasonable expenses incurred wholly, necessarily and exclusively in the proper performance of his duties.

The Group does not currently operate a pension scheme and has not paid any contributions to any pension scheme for Directors or employees.

The beneficial and other interests of the Directors holding office on 31 December 2016 in the issued share capital of the Company were as follows:

ORDINARY SHARES	31 December 2016	31 December 2015
Mr B Metcalf	2,165,841	2,165,841
Mr K R Budge	2,249,759	2,249,759

No options were awarded in 2016. Mr Metcalf and Mr Budge were awarded 8,000,000 and 9,000,000 options respectively in the year ended 31 December 2015. One third of these options vested on issue, with one third vesting on the first anniversary of the date of grant and the final third vesting after the second anniversary of the date of grant.
At 31 December 2016 5,666,667 options have not yet vested.

ORDINARY SHARES UNDER OPTION	NUMBER	EXERCISE PRICE	EXPIRY DATE
Mr B Metcalf	500,000	4 pence	9 October 2019
Mr K R Budge	500,000	4 pence	9 October 2019
Mr B Metcalf	8,000,000	1.66 pence	17 July 2020
Mr K R Budge	9,000,000	1.66 pence	17 July 2020

Corporate Governance Report

Corporate Governance and Board composition

As an AIM-listed company, Beowulf Mining plc is not required to comply with the UK Corporate Governance Code (2016). However, the Directors support high standards of corporate governance and have established a set of corporate governance principles based on the Quoted Companies Alliance ("QCA") Guidelines, which they regard as appropriate for the size, nature and stage of development of the Company.

Corporate governance is a key value driver for investors and an important determinant of investment decision-making. For this reason, shareholders must be able to rely on appropriate corporate governance structures, risk management systems and Board processes to safeguard their interests and ultimately enhance shareholder value.

Some basic safeguards that help reduce investment risk include confidence that the board and management will:

(1) release timely and reliable information about the Company, so as to allow shareholders to react to changing circumstances;

(2) deliver on the stated strategy and performance targets;

(3) take decisions in the interests of all investors - in other words, without favouring insiders and controlling shareholders;

(4) ensure that shareholdings will not be significantly and unexpectedly diluted through non-pre-emptive issues; and

(5) guard against shareholder value being destroyed through significant transactions or material related-party transactions that investors have not had a chance to evaluate and approve.

Clearly, corporate governance alone will not make an investment attractive if the business model itself is not convincing. But all other things being positive, particularly the business acumen and experience of the management team, investor attention will turn to the calibre, expertise and integrity of the Non-Executive Directors, and therefore their ability to oversee, challenge and advise the management in order both to drive value creation and to protect the interests of shareholders at all times.

Audit Committee

The overall purpose of the Audit Committee is:

(1) To ensure that the Company's management has designed and implemented an effective system of internal financial controls;

(2) To review and report on the integrity of the consolidated financial statements of the Company and related financial information; and

(3) To review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of financial information.

In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, management, and the external auditors and monitor the independence and effectiveness of the auditors and the audit. To perform his or her role effectively, each committee member will obtain an understanding of the responsibilities of committee membership as well as the Company's business, operations and risks. The Audit Committee meets approximately four times a year.

The members of the Committee are Chris Davies (Chair) and Bevan Metcalf.

Remuneration Committee

The Remuneration Committee's role is to assist the Board of Directors to discharge its responsibilities in relation to remuneration of the Company's Executive Directors, Non-Executive Directors and senior executives including share and benefit plans and make recommendations as and when it considers it appropriate. The Remuneration Committee meets as and when required.

The members of the Committee are Bevan Metcalf (Chair) and Chris Davies.

Nominations Committee

The Board has not established a Nominations Committee as the Board considers that a separately established committee is not yet necessary, as 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 need for a Nominations Committee as the Company evolves and one will be established if, and when, it is considered appropriate.

Share dealing

Effective 3 July 2016 the Company adopted a new policy for dealings in securities. The Policy is intended to assist the Company and its staff in complying with their obligations under the Market Abuse Regulation (EU) No. 596/2014 ("MAR") and the AIM Rules. The Policy addresses the dealing restrictions set out in MAR and reflects the requirements for a securities dealing policy set out in the AIM Rules. Its purpose is to ensure that persons discharging managerial responsibilities ("PDMRs"), persons closely associated with them ("PCAs") and other Restricted Persons and their PCAs do not abuse, or place themselves under suspicion of abusing, price-sensitive information that they may have or be thought to have, especially in periods leading up to an announcement of results.

Anti-Bribery Policy

The Company has in place appropriate guidance, training and implementation of procedures to ensure compliance with the UK Bribery Act.

The Company is committed to the highest standards of personal and professional ethical behaviour. This must be reflected in every aspect of the way in which the Company operates.

The Company takes a zero-tolerance approach to bribery and corruption and we are committed to act professionally, fairly and with integrity in all our business dealings. Any breach of this policy will be regarded as a serious matter by the Company and is likely to result in disciplinary action and potentially the involvement of the police.

Whistle-blower Policy

In order to discourage illegal activity and unethical business conduct in the Company, the Board has developed a Whistle-blower Policy. It is the responsibility of all Directors, officers and employees (including contract employees and consultants) to comply with the law and the Company's policies, and to report any wrongdoing or violations or suspected violations, including those relating to accounting, internal accounting controls, questionable accounting or auditing matters, securities law and the laws and regulations of any jurisdiction in which the Company operates, in accordance with its Whistle-blower Policy.

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 through its website at www.beowulfmining.com and the release of announcements, trading updates and Interim and Annual Reports through the Regulatory News Service. Shareholders can also sign up to receive news releases directly from the Group by email.

The Board encourages shareholders to attend Annual General Meetings of the Company where they have the opportunity to express their views on the Group's business activities and performance.

Independent Auditor's Report

We have audited the financial statements of Beowulf Mining plc for the year ended 31 December 2016 which comprise of the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements 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 an auditor's report 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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 – Going concern

In forming our opinion, which is not modified, we have considered the adequacy of disclosures made in Note 1 to the financial statements concerning the Group and Company's ability to continue as a going concern. The Group has identified a requirement to raise additional funds in May 2018, or shortly thereafter, to meet corporate overheads and exploration-related costs. The Board has a reasonable expectation they will be able to raise the required funds within an appropriate timeframe, however there can be no certainty of this. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Stuart Barnsdall (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK

Date: 11 May 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement

	Note	2016 £	2015 £
CONTINUING OPERATIONS			
Administrative expenses		(638,573)	(647,268)
Impairment of exploration costs		-	(1,123,892)
OPERATING LOSS		(638,573)	(1,771,160)
Finance costs	3	-	(139)
Finance income	3	5,344	1,982
LOSS BEFORE INCOME TAX	4	(633,229)	(1,769,317)
Income tax expense	5	-	-
LOSS FOR THE YEAR		(633,229)	(1,769,317)
Loss attributable to:			
Owners of the parent		(632,125)	(1,477,109)
Non-controlling interests		(1,104)	(292,208)
		(633,229)	(1,769,317)
Loss per share attributable to the ordinary equity holder of the parent:			
Basic and diluted (pence)	6	(0.13)	(0.38)

The notes on pages 48 to 70 form part of these financial statements

Consolidated Statement Of Comprehensive Income

	2016 £	2015 £
LOSS FOR THE YEAR	(633,229)	(1,769,317)
OTHER COMPREHENSIVE INCOME/LOSS		
Item that may be reclassified subsequently to profit or loss:		
Exchange gains/(losses) arising on translation of foreign operations	626,438	(157,900)
Revaluation of investments	-	(20,550)
Reclassification of revaluation reserve	55,664	-
	682,102	(178,450)
TOTAL COMPREHENSIVE INCOME/LOSS	48,873	(1,947,767)
Total comprehensive income/loss attributable to:		
Owners of the parent	49,005	(1,660,172)
Non-controlling interests	(132)	(287,595)
	48,873	(1,947,767)

The notes on pages 48 to 70 form part of these financial statements

Consolidated Statement of Financial Position

	Note	2016 £	2015 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7	7,186,576	5,588,270
Property, plant and equipment	8	23,511	31,551
Loans and other financial assets	10	5,503	51,938
		7,215,590	5,671,759
CURRENT ASSETS			
Trade and other receivables	11	51,766	82,330
Cash and cash equivalents	12	1,609,219	352,914
		1,660,985	435,244
TOTAL ASSETS		8,876,575	6,107,003
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	14	5,026,302	4,303,138
Share premium	16	16,879,241	15,187,112
Revaluation reserve	16	25,664	(30,000)
Capital contribution reserve	16	46,451	46,451
Share based payment reserve	16	237,803	97,796
Merger reserve	16	137,700	-
Translation reserve	16	(464,882)	(1,090,348)
Accumulated losses	16	(13,067,163)	(12,466,046)
		8,821,116	6,048,103
Non-controlling interests	13	(158,593)	(158,461)
TOTAL EQUITY		8,662,523	5,889,642
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	214,052	217,361
TOTAL LIABILITIES		214,052	217,361
TOTAL EQUITY AND LIABILITIES		8,876,575	6,107,003

The financial statements were approved and authorised for issue by the Board of Directors on 11 May 2017 and were signed on its behalf by:

Mr B Metcalf - Director
Company Number 02330496

The notes on pages 48 to 70 form part of these financial statements

Company Statement of Financial Position

	Note	2016 £	2015 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	139	1,118
Investments	9	345,015	4,909
Loans and other financial assets	10	7,805,923	7,068,102
		8,151,077	7,074,129
CURRENT ASSETS			
Trade and other receivables	11	34,658	74,102
Cash and cash equivalents	12	1,567,770	349,013
		1,602,428	423,115
TOTAL ASSETS		9,753,505	7,497,244
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	14	5,026,302	4,303,138
Share premium	16	16,879,241	15,187,112
Revaluation reserve	16	-	(55,664)
Capital contribution reserve	16	46,451	46,451
Share based payment reserve	16	237,803	97,796
Merger reserve	16	137,700	-
Accumulated losses	16	(12,680,024)	(12,180,655)
TOTAL EQUITY		9,647,473	7,398,178
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	106,032	99,066
TOTAL LIABILITIES		106,032	99,066
TOTAL EQUITY AND LIABILITIES		9,753,505	7,497,244

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 £530,377 (2015: Loss £1,595,140).

These financial statements were approved and authorised for issue by the Board of Directors on 11 May 2017 and were signed on its behalf by:

Mr B Metcalf - Director
Company Number 02330496

The notes on pages 48 to 70 form part of these financial statements

Consolidated Statement of Changes in Equity

	Share capital £	Share premium £	Revaluation reserve £	Merger reserve £	Capital contribution reserve £	Share based payments reserve £	Translation reserve £	Accumulated losses £	Totals £	Non-controlling interest £	Totals £
At 1 January 2015	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
Loss for the year	-	-	-	-	-	-	-	(1,477,109)	(1,477,109)	(292,208)	(1,769,317)
Foreign exchange translation	-	-	-	-	-	-	(162,513)	-	(162,513)	4,613	(157,900)
Revaluations on listed investments	-	-	(20,550)	-	-	-	-	-	(20,550)	-	(20,550)
Total comprehensive income	-	-	(20,550)	-	-	-	(162,513)	(1,477,109)	(1,660,172)	(287,595)	(1,947,767)
Transactions with owners											
Issue of share capital	850,540	232,757	-	-	-	-	-	-	1,083,297	-	1,083,297
Cost of issue	-	(55,457)	-	-	-	-	-	-	(55,457)	-	(55,457)
Equity settled share based transactions	-	-	-	-	-	65,375	-	-	65,375	-	65,375
Release of charge for lapsed options	-	-	-	-	-	(36,897)	-	36,897	-	-	-
At 31 December 2015	4,303,138	15,187,112	(30,000)	-	46,451	97,796	(1,090,348)	(12,466,046)	6,048,103	(158,461)	5,889,642
Loss for the year	-	-	55,664	-	-	-	-	(632,125)	(576,461)	(1,104)	(577,565)
Foreign exchange translation	-	-	-	-	-	-	625,466	-	625,466	972	626,438
Total comprehensive income	-	-	55,664	-	-	-	625,466	(632,125)	49,005	(132)	48,873
Transactions with owners											
Issue of share capital	697,664	1,837,243	-	-	-	-	-	-	2,534,907	-	2,534,907
Cost of issue	-	(145,114)	-	-	-	-	-	-	(145,114)	-	(145,114)
Equity settled share based transactions	-	-	-	-	-	40,109	-	-	40,109	-	40,109
Release of charge for lapsed options	-	-	-	-	-	(31,008)	-	31,008	-	-	-
Acquisition of subsidiary	25,500	-	-	137,700	-	130,906	-	-	294,106	-	294,106
At 31 December 2016	5,026,302	16,879,241	25,664	137,700	46,451	237,803	(464,882)	(13,067,163)	8,821,116	(158,593)	8,662,523

The notes on pages 48 to 70 form part of these financial statements

Company Statement of Changes in Equity

	Share capital £	Share premium £	Revaluation reserve £	Merger reserve £	Capital contribution reserve £	Share based payments reserve £	Accumulated losses £	Totals £
At 1 January 2015	3,452,598	15,009,812	(35,114)	-	46,451	69,318	(10,622,412)	7,920,653
Loss for the year	-	-	-	-	-	-	(1,595,140)	(1,595,140)
Revaluations on listed investments	-	-	(20,550)	-	-	-	-	(20,550)
Total comprehensive income	-	-	(20,550)	-	-	-	(1,595,140)	(1,615,690)
Transactions with owners								
Issue of share capital	850,540	232,757	-	-	-	-	-	1,083,297
Cost of issue	-	(55,457)	-	-	-	-	-	(55,457)
Equity settled share based transactions	-	-	-	-	-	65,375	-	65,375
Release of charge for lapsed options	-	-	-	-	-	(36,897)	36,897	-
At 31 December 2015	4,303,138	15,187,112	(55,664)	-	46,451	97,796	(12,180,655)	7,398,178
Loss for the year	-	-	55,664	-	-	-	(530,377)	(474,713)
Total comprehensive income	-	-	55,664	-	-	-	(530,377)	(474,713)
Transactions with owners								
Issue of share capital	697,664	1,837,243	-	-	-	-	-	2,534,907
Cost of issue	-	(145,114)	-	-	-	-	-	(145,114)
Equity settled share based transactions	-	-	-	-	-	40,109	-	40,109
Release of charge for lapsed options	-	-	-	-	-	(31,008)	31,008	-
Acquisition of subsidiary	25,500	-	-	137,700	-	130,906	-	294,106
At 31 December 2016	5,026,302	16,879,241	-	137,700	46,451	237,803	(12,680,024)	9,647,473

The notes on pages 48 to 70 form part of these financial statements

Consolidated Statement of Cash Flows

	2016 £	2015 £
Cash flows from operating activities		
Loss before income tax	(633,229)	(1,769,317)
Depreciation charges	12,097	9,553
Equity-settled share-based transactions	40,109	65,375
Impairment of exploration costs	-	1,123,892
Expenses financed by issue of shares	29,375	58,298
Reclassification of revaluation reserve	55,664	-
Finance costs	-	139
Finance income	(5,344)	(1,982)
	(501,328)	(514,042)
Decrease/(increase) in trade and other receivables	31,646	(39,803)
Decrease in trade and other payables	(15,557)	(77,040)
Net cash used in operating activities	(485,239)	(630,885)
Cash flows from investing activities		
Purchase of intangible assets	(622,817)	(323,545)
Purchase of property, plant and equipment	(862)	-
Sale of investments	50,444	119
Acquisition of subsidiary	(50,482)	-
Interest received	5,344	1,838
Net cash used in investing activities	(618,373)	(321,588)
Cash flows from financing activities		
Proceeds from issue of shares	2,505,530	1,024,999
Payment of share issue costs	(145,114)	(55,457)
Settlement of derivative financial asset	-	150,000
Net cash from financing activities	2,360,416	1,119,542
Increase in cash and cash equivalents	1,256,804	167,069
Cash and cash equivalents at beginning of year	352,914	186,889
Effect of foreign exchange rate changes	(499)	(1,044)
Cash and cash equivalents at end of year	1,609,219	352,914

The notes on pages 48 to 70 form part of these financial statements

Company Statement of Cash Flows

	2016 £	2015 £
Cash flows from operating activities		
Loss before income tax	(530,377)	(1,595,140)
Depreciation charges	1,841	375
Equity-settled share-based transactions	40,109	65,375
Finance income	(5,344)	(1,978)
Reclassification of revaluation reserve	55,664	-
Expenses financed by issue of shares	29,375	58,298
Impairment of intercompany share capital	-	229,795
Impairment of intercompany loans	-	787,396
	(408,732)	(455,879)
Decrease/(increase) in trade and other receivables	39,444	(35,090)
Increase/(decrease) in trade and other payables	6,969	(78,432)
Net cash used in operating activities	(362,319)	(569,401)
Cash flows from investing activities		
Loans to subsidiaries	(737,822)	(368,504)
Fixed asset additions	(862)	-
Interest received	5,344	1,978
Acquire subsidiary	(46,000)	-
Net cash used in investing activities	(779,340)	(366,526)
Cash flows from financing activities		
Proceeds from issue of shares	2,505,530	1,024,999
Payment of share issue costs	(145,114)	(55,457)
Settlement of derivative financial asset	-	150,000
Net cash from financing activities	2,360,416	1,119,542
Increase in cash and cash equivalents	1,218,757	183,615
Cash and cash equivalents at beginning of year	349,013	165,398
Cash and cash equivalents at end of year	1,567,770	349,013

The notes on pages 48 to 70 form part of these financial statements

Notes to the Consolidated Financial Statements

1. ACCOUNTING POLICIES

Nature of operations

Beowulf Mining plc (the "Company") is domiciled in England. The Company's registered office is 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is engaged in the acquisition, exploration and evaluation of natural resources assets and has not yet generated revenues.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

Going concern

At 31 December 2016, the Company had a cash balance of £1.61 million.

Management have prepared cash flow forecasts which indicate that the Group has sufficient cash to cover its anticipated working capital requirements for the next twelve months, however, they expect that the Group will need to raise further funds for corporate overheads and to advance Kallak North and its other exploration assets in May 2018 or shortly thereafter.

The Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. The Directors are confident they are taking all necessary steps to ensure that the required finance will be available, and have successfully raised finance in the past. However, while they are confident of being able to raise the new funds as they are required, there are currently no agreements in place, and there can be no certainty that they will be successful in raising the required funds within the appropriate timeframe.

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 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 would result if the Company was unable to continue as a going concern.

Basis of preparation

The consolidated financial statements have been prepared 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 and amended standards, and interpretations issued but not yet effective for the financial year beginning 1 January 2016 and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective. Unless stated below, there are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Standard	Effective Date
IFRS 15 Revenue from Contracts with Customers	01-Jan-18
IFRS 9 Financial Instruments	01-Jan-18
IFRS 16 Leases *	01-Jan-19

**Subject to EU endorsement*

The only standard which is anticipated to be significant or relevant to the Group is IFRS 9 "Financial Instruments", the Group is in the process of assessing the impact of the standard on the Financial Statements. Both IFRS 15 and IFRS 16 are not expected to have a material impact on the Group at this stage of the Group's operations.

It is not anticipated that the adoption in the future of the new or revised standards or interpretations that have been issued by the International Accounting Standards Board but are not yet effective will have a material impact on the Group's earnings or shareholders' funds. The Company has not adopted any new standards in advance of the effective dates.

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 income 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 of intangible assets, the estimation of share-based payment costs and the treatment of the acquisition of Fennoscandian. In respect of these items:

(i) The Group determines whether there are any indicators of impairment of intangible assets on an annual basis (see note 1 below and note 7);

(ii) The estimation of share-based payments 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 (see note 9 and15); and

(iii) Taking into account the nature and description of the Fennoscandian transaction it was determined that the acquisition should be treated as an acquisition of assets for accounting purposes and outside the scope of IFRS 3.

Basis of consolidation

(i) Subsidiaries and acquisitions

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 recognised where an investor is exposed, or has rights, to variable returns from its investment with the investee, and has the ability to affect these returns through its power over the investee.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

Non-controlling interests in subsidiaries are presented separately from the equity attributable to equity owners of the parent Company. When changes in ownership in a subsidiary do not result in a loss of control, the non-controlling shareholders' interests are initially measured at the non-controlling interests' proportionate share of the subsidiaries net assets. Subsequent to this, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements

(ii) Transactions eliminated on consolidation

Intra-Group balances and any unrealised gains and losses or income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Intangible assets – deferred exploration costs

All costs incurred prior to the application for the legal right to undertake exploration and evaluation activities on a project are expensed as incurred.

Exploration and evaluation costs arising following the application for the legal right, are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate employee costs and costs pertaining to technical and administrative overheads.

Exploration and evaluation activity includes:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area are expensed as incurred.

Deferred exploration costs are carried at historical cost less any impairment losses recognised. When a project is deemed to no longer have commercially viable prospects to the Group, deferred exploration costs in respect of that project are deemed to be impaired and written off to the statement of comprehensive income.

Impairment

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation expenditure are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise such as:

(i) unexpected geological occurrences that render the resource uneconomic;

(ii) title to the asset is compromised;

(iii) variations in mineral prices that render the project uneconomic;

(iv) substantive expenditure on further exploration and evaluation of mineral resources is neither budgeted nor planned; and

(v) the period for which the Group has the right to explore has expired and is not expected to be renewed.

Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Plant and machinery - 25 per cent on reducing balance

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Investments

Investments in listed companies are classified as available for sale. The revaluation adjustment is taken to the revaluation reserve and reclassified to the income statement for objective evidence of impairment.

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised at cost less any provision for impairment. Fixed asset investments in subsidiary undertakings and joint venture interests are stated at cost less provision for any impairment in value.

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are recorded at their nominal amount less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less.

Trade payables

Trade payables are stated at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Where equity instruments are issued as part of an acquisition they are recorded at their fair value on the date of acquisition.

Notes to the Consolidated Financial Statements

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the Group's assets and liabilities and their tax base.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Current and deferred tax is recognised in the profit or loss, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised directly in equity.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in GB Pounds Sterling which is the presentation currency for the Group and Company financial statements. The functional currency of the Company is the GB Pounds Sterling.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the statement of comprehensive income for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in GB Pounds Sterling using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and are transferred to the Group's translation reserve.

Foreign currency movements arising from the Group's net investment, which comprises equity and long-term debt, in subsidiary companies whose functional currency is not the GB Pounds Sterling are recognised in the translation reserve, included within equity until such time as the relevant subsidiary company is sold, whereupon the net cumulative foreign exchange difference relating to the disposal is transferred to profit and loss.

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.

2. EMPLOYEES AND DIRECTORS

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Wages and salaries	330,778	224,038	203,667	199,565
Social security costs	50,197	25,731	23,398	22,127
Bonus	972	-	-	-
	381,947	249,769	227,065	221,692

Wages and salaries exclude amounts paid to related parties in respect of Director's services during the year which amounted to £Nil (2015: £39,329). Including these amounts, the Directors' remuneration is as follows:

	2016	2015
	£	£
Directors emoluments, including salary and fees	203,667	238,894
Share based payments	40,109	65,375
Compensation to Directors and past Directors for loss of office	-	23,500
	243,776	327,769

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

	2016 Group Number	2015 Group Number	2016 Company Number	2015 Company Number
Directors	3	3	3	3
Employees	2	1	2	1

Notes to the Consolidated Financial Statements

3. FINANCE INCOME AND COSTS

	2016	2015
	£	£
Finance income:		
Deposit account interest	5,344	1,982
	5,344	1,982

	£	£
Finance costs:		
Interest	-	139

4. LOSS BEFORE TAX AND AUDITOR'S REMUNERATION

a. The loss before tax is stated after charging/(crediting):	2016	2015
	£	£
Depreciation - owned assets (note 8)	12,097	9,553
Foreign exchange differences	(1,124)	(5,865)
Impairment of exploration costs (note 7)	-	1,123,892
Reclassification of revaluation reserve	55,664	-

b. Auditor's remuneration

	2016	2015
	£	£
Fees payable to the Group's auditor for the audit of the consolidated financial statements	23,120	21,250
Fees payable to the Group auditor for other services:		
- audit of subsidiaries pursuant to legislation	5,000	3,750
- tax compliance services	3,250	2,500
	31,370	27,500

5. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2016 or for the year ended 31 December 2015.

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:

	2016 £	2015 £
Loss on ordinary activities before income tax	(633,229)	(1,769,317)
Tax thereon at a UK corporation tax rate of 20% (2015 - 20%)	(126,646)	(353,863)
Effects of:		
Expenses not deductible for tax purposes	30,740	224,778
Tax losses not recognised	80,166	116,063
Losses of overseas subsidiaries carried forward	15,740	13,022
	-	-

The main rate of UK corporation tax during the year ended 31 December 16 was 20 per cent (2015: 20 per cent). The Group has estimated UK losses of £9,709,834 (2015: £9,309,009) and foreign losses of £581,034 (2015: £450,247) available to carry forward against future trading profits. The value of unrecognised deferred tax assets in respect of the UK losses amounts to £1,941,967 (2015: £1,861,802). The Directors believe that it would not be prudent to recognise such tax assets before such time as the Group generates taxable income.

6. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share at 31 December 2016 was based on the loss attributable to ordinary shareholders of £632,125 (2015: £1,477,109) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2016 of 472,525,290 (2015: 392,759,984) calculated as follows:

Loss attributable to ordinary shareholders

	2016 £	2015 £
Loss attributable to ordinary shareholders	(632,125)	(1,477,109)

Weighted average number of ordinary shares

	Number	Number
Number of shares in issue at the beginning of the year	430,313,824	304,755,824
Effect of shares issued during year	42,211,466	88,004,070
Weighted average number of ordinary shares in issue for the year	472,525,290	392,759,894

As detailed in note 21, the Company issued a number of options subsequent to the year end. These options, if exercised, would have had an anti-dilutive effect. All existing options are also anti-dilutive.

Notes to the Consolidated Financial Statements

7. INTANGIBLE ASSETS - Group

	Exploration Costs £
COST	
At 1 January 2015	6,538,752
Additions for the year	323,545
Impairments recognised	(1,123,892)
Foreign exchange movements	(150,135)
At 31 December 2015	5,588,270
At 1 January 2016	5,588,270
Additions for the year	968,460
Foreign exchange movements	629,846
At 31 December 2016	7,186,576
NET BOOK VALUE	
At 31 December 2016	7,186,576
At 31 December 2015	5,588,270

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

	2016 £	2015 £
Kallak	6,438,283	5,565,328
Nautijaur	24,912	22,942
Åtvidaberg	153,927	-
Ågåsjiegge	7,257	-
Sala	2,372	-
Haapamäki	141,944	-
Kolari1	99,554	-
Piippumäki	119,087	-
Viistola	107,369	-
Pitkäjärvi	91,871	-
	7,186,576	5,588,270

Total Group exploration costs of £7,186,576 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. An amount of £146,563 was recorded against the projects for services provided by the Directors during the year.

During the year no impairment provision was recognised (2015: £1,123,892).

Accounting estimates and judgements are continually evaluated and are based on a number of factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant risk currently facing the Group is that it does not receive an Exploitation Concession for its Kallak North iron ore project. The Company originally applied for the Exploitation Concession in April 2013 and throughout 2016, and since the year end, management have actively sought to progress the application, engaging with the various government bodies and other stakeholders. These activities are summarised under the Review of Operations and Activities.

The Kallak project is included in the financial statements as an intangible exploration licence with a carrying value of £6,438,283 at the year end. Management are required to consider whether there are events or changes in circumstances that indicate that the carrying value of this asset may not be recoverable. Management have considered the status of the application for the Exploitation Concession and in their judgement, they believe it is appropriate to be optimistic about the chances of being awarded the Exploitation Concession and thus have not impaired the project.

8. PROPERTY, PLANT AND EQUIPMENT

	Group £	Company £
COST		
At 1 January 2015	54,152	5,521
Foreign exchange movements	(1,157)	-
At 31 December 2015	52,995	5,521
At 1 January 2016	52,995	5,521
Additions	862	862
Foreign exchange movements	5,326	-
At 31 December 2016	59,183	6,383
DEPRECIATION		
At 1 January 2015	11,758	4,028
Charge for year	9,553	375
Foreign exchange movements	133	-
At 31 December 2015	21,444	4,403
At 1 January 2016	21,444	4,403
Charge for year	12,097	1,841
Foreign exchange movements	2,131	-
At 31 December 2016	35,672	6,244
NET BOOK VALUE		
At 31 December 2016	23,511	139
At 31 December 2015	31,551	1,118

Notes to the Consolidated Financial Statements

9. INVESTMENTS

	Shares in group undertakings	Listed investments	Total
	£	£	£
COST OR VALUATION			
At 1 January 2015	234,704	20,550	255,254
Revaluation of investments	-	(20,550)	(20,550)
Impairment of investments	(229,795)	-	(229,795)
At 31 December 2015	4,909	-	4,909
At 1 January 2016	4,909	-	4,909
Acquisitions	340,106	-	340,106
At 31 December 2016	345,015	-	345,015

On 11 January 2016, the Company announced it had acquired 100 per cent of the share capital of Fennoscandian, a privately owned company based in Finland with a portfolio of four early-stage graphite exploration projects. The transaction consisted of an initial payment of 2.1 million shares with a deferred payment of 450,000 shares. Beowulf has paid for 100 per cent of the share capital of Fennoscandian by issuing 2.55 million ordinary shares in the Company. On 11 January 2016, one Beowulf share was worth 6.4 pence, valuing the initial part of the transaction at £163,200.

In addition, two further tranches of 2.1 million ordinary shares will be issued on achievement of certain performance milestones. The first tranche of ordinary shares will be issued on the production of a maiden resource statement on one of the graphite projects in the portfolio, or on the anniversary 24 months following completion of the acquisition, subject to Mr Blomqvist having worked for the Company as a full-time employee during that period. The second tranche of shares will be issued on completion of a bankable feasibility study on one of the graphite projects in the portfolio.

The total number of ordinary shares that may be issued, if all performance milestones are achieved, is 6.75 million ordinary shares. Beowulf will issue up to a further 4.2 million additional consideration shares in the form of a share-based payment transaction to the former owner, Rasmus Blomqvist. The share-based payments fall within the scope of IFRS 2 and are fair valued at the grant date based on the estimated number of shares that will vest. The fair value has been prepared using a Black-Scholes pricing model including a share price of 6.4 pence, option life of two years, volatility of 49.79 per cent and a risk free rate of 0.698 per cent.

The share-based charge is £268,800 bringing the total consideration including transaction costs of £46,000 to £478,000, if all additional shares are issued.

The consideration recognised in the financial statements as at 31 December 2016 is £346,547 and has been recorded in intangible assets evenly across the four acquired graphite projects. The share based payment charge is spread over the two-year option life, therefore, in the 12 months ended 31 December 2016, only £130,907 (of the £268,800) has been recognised under intangibles.

At a Group level, the Company have considered whether the acquisition meets the definition of a business combination and therefore falls within the scope of IFRS 3. The conclusion is that due to the early stage of the projects acquired and because Fennoscandian does not have the inputs, processes and outputs required to meet the conditions of a business combination the acquisition shall be treated as an acquisition of assets at a Group level and is therefore outside the scope of IFRS 3.

Name	Incorporated	Activity	2016 % holding	2015 % holding
Oy Fennoscandian Resources AB	Finland	Mineral exploration	100%	-
Iron of Sweden Limited[1]	UK	Dormant	-	100%
Jokkmokk Iron Mines AB	Sweden	Mineral exploration	100%	100%
Beowulf Mining Sweden AB[2]	Sweden	Mineral exploration	100%	100%
Wayland Copper Limited	UK	Holding company	65.25%	65.25%
Wayland Sweden AB	Sweden	Mineral exploration	[3,4]65.25%	[3,4]65.25%

The Group consists of the following subsidiary undertakings:

Name	Registered office
Oy Fennoscandian Resources AB	Plåtslagarevägen 35 A 1, 20320 Turku, Finland
Iron of Sweden Limited[1]	Richmond House, Broad Street, Ely Cambridgeshire
Jokkmokk Iron Mines AB	Storgatan 36, 921 31, Lycksele, Sweden
Beowulf Mining Sweden AB[2]	Storgatan 36, 921 31, Lycksele, Sweden
Wayland Copper Limited	201 Temple Chambers, 3-7 Temple Avenue, London
Wayland Sweden AB	Storgatan 36, 921 31, Lycksele, Sweden

Notes:

1. Iron of Sweden has been dissolved in the year
2. Previously Norrbotten Mining AB
3. Indirectly held
4. Effective interest

Details on the non-controlling interest in subsidiaries is given in note 13.

Notes to the Consolidated Financial Statements

10. LOANS AND OTHER FINANCIAL ASSETS

Group	Financial fixed Assets £
At 1 January 2015	53,262
Disposals in the year	(119)
Foreign exchange movements	(1,205)
At 31 December 2015	51,938
At 1 January 2016	51,938
Disposal in the year	(50,444)
Foreign exchange movements	4,009
At 31 December 2016	5,503

Company	Loans to group undertakings £	Financial assets £	Totals £
At 1 January 2015	7,484,210	2,784	7,486,994
Advances made in the year	368,504	-	368,504
Impairment of investments	(787,396)	-	(787,396)
At 31 December 2015	7,065,318	2,784	7,068,102
At 1 January 2016	7,065,318	2,784	7,068,102
Advances made in the year	737,821	-	737,821
At 31 December 2016	7,803,139	2,784	7,805,923

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Other receivables	237	2,204	237	-
VAT	22,447	15,716	14,408	9,692
Prepayments and accrued income	29,082	64,410	20,013	64,410
	51,766	82,330	34,658	74,102

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Bank accounts	1,609,219	352,914	1,567,770	349,013
	1,609,219	352,914	1,567,770	349,013

13. NON-CONTROLLING INTERESTS

Wayland Copper Limited, a 65.25 per cent owned subsidiary of the Company that has material non-controlling interests ("'NCI").

Summarised financial information reflecting 100 per cent of the underlying subsidiary's relevant figures is set out below:

	2016 £	2015 £
Administrative expenses	(3,178)	(2,395)
Impairment of intangibles	-	(838,493)
Loss after tax	(3,178)	(840,888)
Loss allocated to NCI	(1,104)	(292,208)
Other comprehensive income allocated to NCI	972	4,613
Total comprehensive loss allocated to NCI	(132)	(287,595)
Current assets	10,687	9,405
Current liabilities	(467,069)	(465,408)
Net (liabilities)	(456,382)	(456,003)
NCI at 34.75 per cent	(158,593)	(158,461)

Notes to the Consolidated Financial Statements

14. SHARE CAPITAL

	2016 Number	2016 £	2015 Number	2015 £
Allotted, called up and fully paid				
At 1 January	430,313,824	4,303,138	345,259,849	3,452,598
Issued for cash	66,829,007	668,289	79,224,175	792,242
Issued in settlement of expenses	2,937,500	29,375	5,829,800	58,298
Issued for acquisition of subsidiary	2,550,000	25,500	-	-
At 31 December	502,630,331	5,026,302	430,313,824	4,303,138

The par value of all ordinary shares in issue is £0.01.

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 2016

On 11 January 2016, the Company issued 2,100,000 million new ordinary shares of 6.4 pence each, in connection with its acquisition of Fennoscandian.

On 11 February 2016, the Company issued 729,329 new ordinary shares of 6.4 pence each. This included the issue of 450,000 new ordinary shares being the deferred payment in connection with its acquisition of Fennoscandian and 279,329 new ordinary shares in satisfaction of the professional fees.

On 25 February 2016, the Company announced that it had raised £1.25 million before expenses and issued 38,461,538 new ordinary shares at a price of 3.25 pence per new ordinary share.

On 2 March 2016, the Company announced that the over-allotment option announced on 25 February 2016, was exercised on 29 March by the Company in respect of 7,692,307 new ordinary shares at a price of 3.25 pence per new ordinary share raising £0.25 million before expenses.

On 21 December 2016, the Company announced a subscription for £1m (before expenses). Pursuant to the subscription, the Company issued to Swedish investors 20,000,000 ordinary shares of 1.0 pence each to raise approximately £860,000 (before expenses) at a price of 0.5 SEK per ordinary share and to 3,333,333 ordinary shares to UK investors to raise approximately £140,000 (before expenses) at a price of 4.2 pence per new ordinary share.

Shares issued in 2015

In March 2015, the Company raised £350,000 before fees and expenses by way of a subscription of 29,166,666 new ordinary shares of 1.0 pence each at a premium of 0.2 pence per share. This was fully paid in cash.

In June 2015, the Company issued 2,035,457 new ordinary shares of 1 pence each at a premium of 1.25 pence per share in accordance with a salary sacrifice arrangement with Directors. The total value of these shares was £45,798.

In July 2015, the Company raised £650,000 before fees and expenses by way of a subscription of 52,000,000 new ordinary shares of 1 pence each at a premium of 0.25 pence per share. This was fully paid in cash.

In July 2015, the Company issued 617,284 ordinary shares of 1 pence at a premium of 1.025 pence to its joint broker in lieu of their broker fees for six months.

In October 2015, the Company received notification from its joint broker that it wanted to exercise 617,284 warrants at an exercise price of 2.025 pence for which the Company received proceeds of £12,500 and issued 617,284 new ordinary shares.

In December 2015, the Company received notification from its joint broker that it wanted to exercise 617,284 warrants at an exercise price of 2.025 pence for which the Company received proceeds of £12,500 and issued 617,284 new ordinary shares.

15. SHARE-BASED PAYMENTS

During the year ended 31 December 2016 no options were granted (2015: 17,000,000). The options outstanding as at 31 December 2016 have an exercise price in the range of 1.66 pence to 4.00 pence (2015: 1.66 pence to 30.00 pence) and a weighted average remaining contractual life of 3.5 years (2015: 4.14 years).

The equity-settled share-based payments expense for the options for the year ended 31 December 2016 was £40,109 (2015: £63,375).

The fair value of services received during 2015 in return for share options granted was based on the fair value of share options granted, measured using the Black-Scholes model, with the following inputs:

Fair value at grant date	0.708p
Share price	1.25p
Exercise price	1.66p
Expected volatility	170.90%
Option life	5 years
Risk free interest rate	1.58%

The expected volatility was determined by reviewing the actual volatility of the Company's share price in the five years preceding the date of granting the option.

No warrants were granted during the year. In 2015 1,234,568 warrants were issued and exercised at 2.025 pence to the Company's joint broker. The fair value of the warrants was £25,000.

Notes to the Consolidated Financial Statements

16. RESERVES

The following is a description of each of the reserve accounts that comprise equity shareholders' funds:

Share capital	The share capital comprises the issued ordinary shares of the Company at par.
Share premium	The share premium comprises the excess value recognised from the issue of ordinary shares at par.
Revaluation reserve	Gains/losses arising on the revaluation of the Group's listed investments. Prolonged declines in value at transferred to profit and loss.
Capital contribution reserve	The capital contribution reserve represents historic non-cash contributions to the Company from equity holders.
Share based payments reserve	Cumulative fair value of options charged to the consolidated income statement net of transfers to the profit or loss reserve on exercised and cancelled/lapsed options.
Translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.
Merger reserve	The balance on the merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by the issue of shares.
Accumulated losses	Accumulated losses comprise the Group's cumulative accounting profits and losses since inception.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Current:				
Trade payables	142,329	85,520	64,933	21,773
Amounts owed to participating interests	9,658	9,658	-	-
Social security and other taxes	10,089	7,989	8,786	6,080
Other payables	8,319	5,081	933	933
Accruals and deferred income	43,657	109,113	31,380	70,280
	214,052	217,361	106,032	99,066

18. FINANCIAL INSTRUMENTS

The Group and Company's financial instruments comprise cash and cash equivalents, loans and investments, trade receivables and trade payables that arise directly from its operations.

The Group and Company hold the following financial instruments:

	Group		Company	
	Held at amortised cost £	Total £	Held at amortised cost £	Total £
At 31 December 2016				
Financial assets				
Cash and cash equivalents	1,609,219	1,609,219	1,567,770	1,567,770
Trade and other receivables	51,766	51,766	34,658	34,658
Loans to group undertakings	-	-	7,803,139	7,803,139
Other financial assets	5,503	5,503	2,784	2,784
	1,666,488	1,666,488	9,408,351	9,408,351
Financial liabilities				
Trade and other payables	214,052	214,052	106,032	106,032

	Group		Company	
	Held at amortised cost £	Total £	Held at amortised cost £	Total £
At 31 December 2015				
Financial assets				
Cash and cash equivalents	352,914	352,914	349,013	349,013
Trade and other receivables	82,330	82,330	64,410	64,410
Loans to group undertakings	-	-	7,065,318	7,065,318
Other financial assets	51,938	51,938	2,784	2,784
	487,182	487,182	7,481,525	7,481,525
Financial liabilities				
Trade and other payables	209,473	209,473	92,986	92,986

Notes to the Consolidated Financial Statements

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

a) 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 the value of its holdings in financial instruments.

i) Foreign Exchange Risk

The Group operates internationally and is exposed to currency risk arising on cash and cash equivalents, receivables and payables denominated in a currency other than the respective functional currencies of the Group entities, which are primarily Swedish Krona, Euro and Sterling. The Group's and Company's net exposure to foreign currency risk at the reporting date is as follows:

	Group		Company	
Net foreign currency financial	2016	2015	2016	2015
(liabilities)/assets	£	£	£	£
Swedish Krona	752,879	(86,332)	811,254	5,656
Euro	4,494	-	(17,667)	-
Total net exposure	757,373	(86,332)	793,587	5,656

Sensitivity analysis

A 10 per cent strengthening of sterling against the Swedish Krona at 31 December 2016 would have increased/(decreased) equity and profit or loss by the amounts shown below:

Group

	Profit or loss		Equity	
	2016	2015	2016	2015
	£	£	£	£
Swedish Krona	(75,288)	8,633	(75,288)	8,633
Euro	(449)	-	(449)	-
Total	(75,737)	8,633	(75,737)	8,633

Company

	Profit or loss		Equity	
	2016	2015	2016	2015
	£	£	£	£
Swedish Krona	(81,125)	(566)	(81,125)	(566)
Euro	1,767	-	1,767	-
Total	(79,358)	(566)	(79,358)	(566)

A 10 per cent weakening of sterling against the foreign currencies at 31 December 2016 would have an equal but opposite effect on the amounts shown above.

ii) Commodity Price Risk

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

iii) Interest Rate Risk

The Group's and Company's policy is to retain its surplus funds on the most advantageous term of deposit available up to a 12 month maximum duration. Given that the Directors do not consider that interest income is significant in respect of the Group's and Company's operations no sensitivity analysis has been provided in respect of any potential fluctuations in interest rates.

b) Credit Risk

The Group's principal financial assets are the cash and cash equivalents and loans and 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 Group and Company policy for managing its exposure to credit risk with cash and cash equivalents is to only deposit surplus cash with financial institutions that hold acceptable credit ratings.

The Company has made unsecured interest-free loans to its subsidiaries. Although they are repayable on demand, they are unlikely to be repaid until the projects becomes successful and the subsidiaries start to generate revenues.

	2016	2015
	£	£
Jokkmokk Iron Mines AB	7,400,249	7,065,318
Beowulf Sweden AB	162,965	-
Wayland Copper Ltd	2,300	-
Oy Fennoscandian Resources AB	237,625	-
	7,803,139	7,065,318

Notes to the Consolidated Financial Statements

c) Liquidity Risk

To date the Group and Company have relied on shareholder funding to finance operations. As the Group and Company have finite cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditure and cash resources. In addition, the Group and Company do not have any borrowings and only have trade and other payables with a maturity of less than one year. The rationale for the preparation the accounts on a going concern basis is detailed in the Report of the Directors.

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.

19. SEGEMENT REPORTING

The Group's only reportable segment is the exploration for, and the development of iron ore, graphite and other mineral deposits. The Group also reports by geographical reportable segment in the countries in which it operates. The Group's exploration and development activities are focused on two countries, Sweden and Finland, with support provided from the UK headquarters. In presenting information on the basis of geographical reportable segments, the loss for the year, key statement of financial position data, property, plant and equipment additions and deferred exploration additions is based on the geographical location of the assets. The Group has adopted IFRS 8 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker to allocate resources and assets.

2016	Sweden	Finland	UK	Total
	£	£	£	£
Licence and Exploration	6,626,751	559,825	-	7,186,576
Other non-current assets	26,091	-	2,923	29,014
Current assets	28,194	29,412	1,603,379	1,660,985
Liabilities	(86,529)	(21,883)	(105,640)	(214,052)
Finance income	-	-	5,344	5,344
Expenses	(83,485)	(5,946)	(549,142)	(638,573)
Loss for the year	(83,485)	(5,946)	(543,798)	(633,229)
Other comprehensive income	623,926	2,512	55,664	682,102

2015				
Licence and Exploration	5,588,270	-	-	5,588,270
Other non-current assets	79,588	-	3,902	83,490
Current assets	11,806	-	423,440	435,246
Liabilities	(117,666)	-	(99,696)	(217,362)
Finance income	5	-	1,977	1,982
Expenses	(593,965)	-	(1,177,195)	(1,771,160)
Loss for the year	(594,099)	-	(1,175,218)	(1,769,317)
Other comprehensive income	(157,900)	-	(20,550)	(178,450)

20. RELATED PARTY DISCLOSURES

Transactions with subsidiaries

During the year, cash advances of £233,079 (2015: £368,502) were made to Jokkmokk Iron Mines AB and incurred costs of £88,266 that were paid on behalf by the Company £101,853 (2015: £82,142). The advances are held on an interest free inter-group loan which has no terms for repayment. At the year end the inter-Group loan amounted to £7,400,249. (2015: £7,065,318).

Beowulf Sweden AB received cash advances of £74,699 (2015: £Nil) and incurred costs of £88,266 (2015: £Nil) that were paid on behalf by the Company. The advances are held on an interest free inter-Group loan which has no terms for repayment. At the year end the inter-Group loan amounted to £162,965. (2015: £Nil).

In the year ended 31 December 2016, cash advances of £2,300 (2015: £Nil) were made to Wayland Copper Group, formerly a joint venture entity which became a subsidiary on 1 October 2014. These advances have no repayment term and are interest free.

Post the acquisition of Fennoscandian, the Company has made cash advances of £196,975 (2015: £Nil). The advances are held on an interest free inter-Group loan which has no terms for repayment. At the year end the inter-Group loan amounted to £237,625.

In accordance with its service agreement, Fennoscandian charges Beowulf Mining plc for time incurred by its staff on exploration projects held by other entities in the Group. In turn Beowulf Mining plc recharges the other entities involved. In addition Beowulf Mining plc charges entities in the Group for time and expenses spent by Directors on providing services. An arm's length margin has been included, but subsequently eliminated on consolidation.

Transactions with other related parties

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

	2016 £	2015 £
Short-term employee benefits (including employers' national insurance contributions)	300,866	221,692
Termination benefits	-	23,500
Post-retirement benefits	15,884	-
Share based payments	334,216	-
	650,966	245,192

Mr Rasmus Blomqvist, who currently acts as Exploration Manager received share based payments of £294,107 in respect of the acquisition of Fennoscandian.

Mr Budge, a Director who served during the year had an amount outstanding of £1,813 (2015: £Nil) in relation to reimbursement of expenses incurred during the year.

21. EVENTS AFTER THE REPORTING DATE

On 26 January 2017, options for 4,500,000 ordinary shares of 1.0 pence each were awarded to Mr Christopher Davies and Mr Rasmus Blomqvist at an exercise price of 12.0 pence per share. The options vest over a two year period with 50% vesting on the first anniversary of grant and 50% on the second anniversary of grant, and are valid for five years from the date of grant.

Company Information

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Mr K R Budge
Mr C Davies

Secretary

Mr L O'Donoghue

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Notes

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