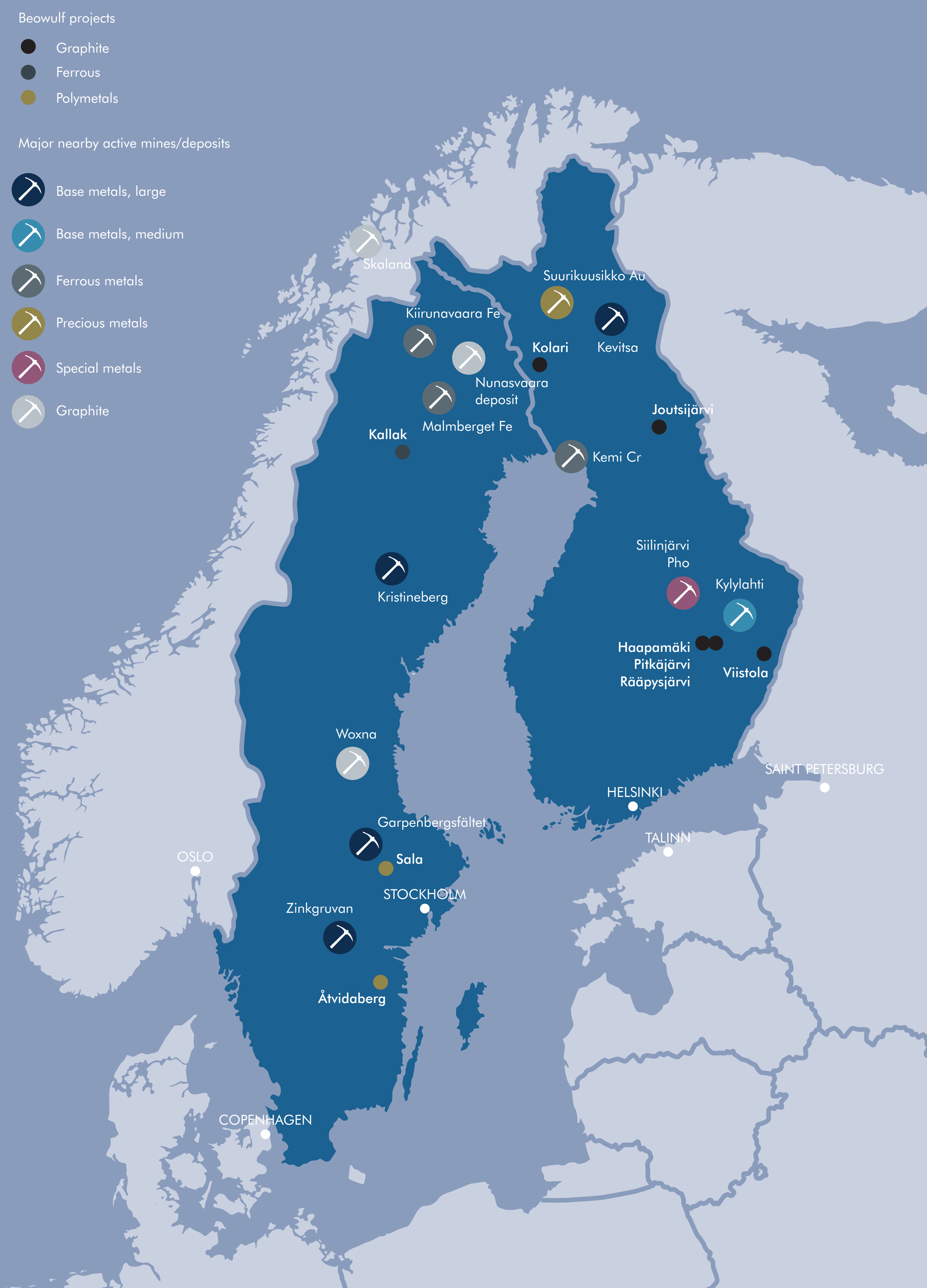
BEOWULF MINING plc

ANNUAL REPORT 2017

Beowulf projects and Nordic mineral deposits/mines



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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"). Testwork on Kallak ore 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, and attracting a potential price premium.

Local infrastructure is excellent, with all-weather gravel roads passing through the project area, and all parts easily reached by well used forestry tracks. A major hydroelectric power station with associated electric power-lines is located only a few kilometres to the south east.

The nearest railway (the Inlandsbanan or 'Inland Railway Line') passes approximately 40km to the east. This railway line is connected at Gällivare with the 'Ore Railway Line', used by LKAB for delivery of its iron ore material to the Atlantic harbour at Narvik (Norway) or to the Botnian Sea harbour at Luleå (Sweden).

The Company has a portfolio of graphite exploration prospects in Finland, which are controlled by its 100 per cent owned subsidiary Oy Fennoscandian Resources AB ("Fennoscandian"). The Aitolampi project is a priority, with drilling and extensive metallurgical testwork being undertaken in 2017.

The Company is also active in southern Sweden, exploring its Åtvidaberg nr 1 ("Åtvidaberg") exploration licence. The exploration focus is on polymetallic discoveries, but mainly copper and zinc. The Company also has the Sala licence, located in Västmanland County. The licence is prospective for lead-zinc-silver mineralisation and is situated 200 metres ("m") west of the former Sala silver mine.

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

"Visar respekt fôr alla intressenter"
"Vill samverka lokalt"
"Står fôr 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 modern and sustainable Nordic focused mining company, which creates shareholder value through project development, delivering production and generating cash flow, while remaining opportunistic for mergers and acquisitions and preserving the Company's low sovereign risk profile.

The Company continues to advance its Kallak project whilst waiting for an Exploitation Concession to be awarded, in addition to progressing with its portfolio of exploration assets in Sweden and Finland.

Beowulf is developing a high-quality asset base, which is diversified by geography and commodity, enabling it to simultaneously advance several projects up the mining value curve and create value for investors.

The Company's priority remains the award of the Exploitation Concession for Kallak North and taking the Kallak project forward thereafter. 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.

In addition to Kallak, Beowulf has broadened its exploration interests, and with the Aitolampi graphite project it is making solid progress. The Company's ambition is to develop a graphite mining operation, within three years, focusing on adding value to mine production, and capturing the value usually lost to others downstream in the supply chain. Positive cashflows will support the Company's other exploration activities.

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

Chairman's Statement

Dear Shareholders

Introduction

During the year, we made substantial progress on our exploration projects. At the Aitolampi graphite project in Finland, we completed a phase one drilling programme and undertook several rounds of metallurgical test-work in Canada and Germany. At the Åtvidaberg exploration licence in southern Sweden, we held a 'technical expert' workshop, conducted fieldwork, and 3D modelled the historic mine workings, all of which enhanced our understanding of its potential. Our work programmes position us well in 2018 for defining a maiden resource and commencing a Scoping Study at Aitolampi, and potentially defining drill targets at Åtvidaberg.

In 2017, the Company further strengthened its case for the award of an Exploitation Concession at Kallak North by completing a Heritage Impact Assessment ("HIA"). We also injected new momentum into Kallak, first with the Copenhagen Economics' 'Big Picture' study, demonstrating the local and regional economic impact that Kallak could have on Jokkmokk and the County of Norrbotten, and presenting the Company's approach to delivering success through partnership with the community and key infrastructure players, and secondly, with the commencement of a Scoping Study with SRK Consulting (UK) Ltd ("SRK"). SRK has undertaken a significant number of technical studies for companies operating in the Nordic Region and it has the relevant expertise to work with the Company on designing and engineering a modern and sustainable mining project at Kallak North, as well as assessing the broader potential of the Kallak South deposit.

Kallak

The Company is steadfast in its belief that the Kallak application fully satisfies the requirements of the Swedish Mining Act and Environmental Code, but in 2017 there were more twists and turns in the Exploitation Concession process.

In March 2017, the Swedish National Heritage Board (Riksantivarieämbetet, "RAÄ") and the Swedish Environmental Protection Agency (Naturvårdsverket, "NV") completed a review on the sufficiency of information provided in the Company's application, with respect to the interaction between Kallak and Laponia. They concluded that Kallak would not directly impact Laponia but suggested that the Company should provide more details to describe the possible indirect effects of a mining operation at Kallak on Laponia, the interaction of mining and reindeer herding, and matters related to transport.

Even though the RAÄ and NV failed to be specific, as requested by the Mining Inspectorate, as to where the Company's Environmental Impact Assessment ("EIA") might be insufficient in the detail it provides, we produced a HIA which was submitted to the Mining Inspectorate in April 2017.

When the County Administrative Board ("CAB") consulted with these two agencies later in the year, they confirmed to the CAB that the information provided by the Company is possibly sufficient for the CAB to provide its opinion to the Government on whether mining is an appropriate land use for Kallak with reference to Chapters 3 and 4 of the Environmental Code.

The RAÄ and NV gave the Company recognition for the additional information provided, namely a submission to the CAB in December 2016 and the HIA. However, they did not take any position regarding the potential impact on reindeer herding caused by Kallak and suggested that the CAB may wish to consult with Sametinget on this matter. The RAÄ and NV considered that the claim by Sametinget for a national interest for reindeer herding at Kallak, despite being made four years after the Swedish Geological Unit's ("SGU") designation, is relevant and needs to be considered.

Material developments during the year included, in June 2017, the Mining Inspectorate returning the Company's application to the Government, and importantly confirming that the Kallak North EIA is consistent, in the detail provided, in meeting the requirements of the Supreme Administrative Court's ("SAC") Norra Kärr judgement, and later in November 2017, the latest statement from the CAB.

In September 2017, the Company published the Copenhagen Economics' Study titled 'Kallak - A real asset, and a real opportunity to transform Jokkmokk'. The Study built on work carried out by the Company and others, including the 2015 independent socio-economic study initiated by Jokkmokks Kommun, completed by consultants Ramböll, which in its findings concluded that a mining development at Kallak would create direct and indirect jobs, increase tax revenues and slow down population decline, and the 2010 study by the Economics Unit of Luleå University of Technology, 'Mining Investment and Regional Development: A Scenario-based Assessment for Northern Sweden'.

Chairman's Statement

The Study showed that a mining operation at Kallak has the potential to create 250 direct jobs and over 300 indirect jobs in Jokkmokk; jobs that could be sustained over a period of 25 years or more. In addition, Kallak has the potential to generate SEK 1 billion in tax revenues, considering the case where 70 per cent of the mine's workforce are based locally, with annual tax revenues of SEK 40 million over a 25 year mine life; tax revenues which would help to develop and sustain public services and infrastructure in Jokkmokk, which are at risk due to a lack of new investment and job creation in the community, a declining population, and an ageing population.

Despite the Study, and the commencement of a Scoping Study with SRK, on 30 November 2017, the CAB responded to questions from the Government and recommended that an Exploitation Concession for Kallak North not be granted. The CAB's statement contradicted its July 2015 position, when it supported the economic case for Kallak, and in the Company's opinion, the CAB has failed to use the socio-economic assessment criteria set out in the Environmental Code, which put emphasis on safeguarding investment and job creation, and giving consideration for the municipalities' financial health.

Instead, the CAB presented a scenario of State investment in infrastructure being necessary to support the mine, which has never been proposed or suggested by the Company. It is the Company's opinion that the analysis by the CAB is flawed, and its conclusions are biased and cannot be supported.

The Board remains firmly committed to the responsible development of a modern, sustainable, and innovative mining operation at Kallak in partnership with the local community. This remains our ambition, and we now wait for the Government to decide on our application.

Graphite Portfolio

We made real progress on our graphite portfolio during the year. Starting with metallurgical testwork results for composite samples taken from the Haapamäki, Pitkäjärvi and Aitolampi graphite prospects. We then completed 1,197m of drilling at Aitolampi. The eight-hole diamond drill programme confirmed that the Electro-magnetic ("EM") anomalies identified are associated with wide zones of graphite mineralisation, with a mineralised strike length of at least 350m along the main conductive zone drill-tested, dipping between 40 and 50 degrees to the southwest. The main EM zone extends for 700m.

In October 2017, we announced high grade concentrate results, from metallurgical testwork carried out by SGS in Canada, on composite samples from the Aitolampi project. For three samples, the combined grades ranged from 96.8 per cent to 97.5 per cent Total Carbon. We achieved a superior metallurgical response from all three samples compared with grab samples from outcrops analysed earlier in the year. The process flowsheet used was simple and proved to be very efficient. The produced concentrates were despatched for further testwork to ProGraphite in Germany to determine their marketability and potential applications. Results from this work were very promising showing that both acid and alkaline purification methods can produce a very clean concentrate of greater than 99.41 per cent Total Carbon. Aitolampi concentrates' chemical and physical properties indicate potential to serve lithium ion battery manufacturers and could also suit many other applications.

The focus remains to put one of our graphite projects into production within three years, and, at this time, Aitolampi is the front runner.

Åtvidaberg

In late April 2017, the Company held a three-day field workshop at Åtvidaberg, which brought together the Company's exploration team and external experts with major mining company exploration experience, relevant to Bergslagen, volcanogenic massive sulphide mineralisation and modern exploration technologies. The workshop provided the opportunity to brainstorm ideas and develop a plan for the year, which featured both fieldwork and desktop studies focused on understanding historical mining around Bersbo.

Åtvidaberg represents early stage exploration, but offers real potential for Beowulf, as signified by past discoveries and historic mines.

Shareholder Base

Beowulf is approximately 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 the year and, at 30 April 2018, approximately 58.4 per cent of the Company was owned by Swedish shareholders. 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.

During the year we undertook a single fundraising. On 17 May 2017, we announced a subscription for new ordinary shares raising £1.5 million before expenses, completed at a price of 6.5 pence per share.

Financial Performance

Loss before and after taxation attributable to the owners of the parent at £1.04 million is higher than the loss recorded in 2016 of £0.63 million, this increase is largely attributable to impairment costs incurred of £0.18 million and a share-based payment expense of £0.2 million. The impairment costs assessed relate to projects Nautijaur (£27,621) and Piippumäki (£155,510). The share-based payment expense relates predominantly to new share options awarded in the year.

Basic loss per share of 0.20 pence increased by 54 per cent on last year (2016: loss per share of 0.13 pence).

Approximately £1.59 million in cash was held at the year end. During the year £0.94 million (2016: £0.62 million) was spent on exploration and capitalised.

Corporate

It was announced in September 2017 that Mr Bevan Metcalf, former Non-Executive Chairman, would retire on the appointment of a successor, and my appointment was announced on 30 October 2017. As I commented at the time, I am very pleased to have taken over stewardship of Beowulf from Bevan, and I would like to reiterate my thanks to him for his contribution to the Company.

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 looking forward to a busy 2018, with exploration programmes and drilling planned at our Aitolampi graphite project and on our Åtvidaberg licence and broader activity planned across the rest of our graphite portfolio. We are also maintaining a keen eye for any merger and acquisition opportunities.

The Swedish elections may delay a final decision on the Kallak project, but in 2017 the Company injected momentum back into the project with the Copenhagen Economics' 'Big Picture' study, and the commencement of a Scoping Study with SRK. Kallak is an important project, and it is right that the Government takes its time to be thorough in its review, and to complete a rigorous and objective assessment of the facts.

Though shareholders may be frustrated with no definitive timeline for a decision, Kallak is an important project for Jokkmokk and the County of Norrbotten and should be treated with the care and attention it deserves, and an observance of due process.

The Government can look at the 'Big Picture', the interdependencies of capital projects in the region, mining, rail, port, and power, and the potential for Kallak to play its part in a sustainable economic future for Jokkmokk and the County of Norrbotten.

In Jokkmokk, no other Company has invested SEK77 million and created an opportunity like Kallak, that has the potential to transform the town, and deliver a thriving, diversified and sustainable economy for the people living there.

We hope that the Government now looks objectively at the facts, the Company's investment, its commitment to developing a modern and sustainable mining operation, and the approach we have taken with all our stakeholders in Jokkmokk, including the Saami villages, to develop the Kallak project in partnership with them. We are willing to take all necessary precautions to minimise the impact on reindeer herding and have also several times stated that any eventual remaining impact shall be fully compensated.

Göran Färm
Non-Executive Chairman
11 May 2017

Review of Operations and Activities

Sweden

Permits

Beowulf, via its subsidiaries, currently holds 10 exploration permits together with one registered application for an Exploitation Concession, as set out in the table below:

Permit Name/Minerals	Permit ID	Area (km^2)	Valid From	Valid Until
Parkijaure nr3 (Fe)[1,4]	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)[1,4]	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	04/05/2012	04/05/2018
Parkijaure nr5 (Fe)[1]	2013:36	6.22	04/03/2013	04/03/2019
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]	2016:64	10.49	29/06/2016	29/06/2019

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.

(4) JIMAB has appealed the Mining Inspectorate's decision not to extend these licences and is waiting for the appeal Court's ruling. On 11 April 2018, a hearing was held in Luleå.

Review of Operations and Activities

Introduction

The Kallak magnetite iron ore deposit is located approximately 40km west of Jokkmokk in the County of Norrbotten, 80km southwest of the major iron ore mining centre of Malmberget, and approximately 120km to the southwest of LKAB's Kiruna iron ore mine.

The Company is currently going through the process of obtaining an Exploitation Concession for Kallak North. Testwork on Kallak ore 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 DRI facilities in Europe and the Middle East, and attracting a potential price premium.

Local infrastructure is excellent, with all-weather gravel roads passing through the project area, and all parts easily reached by well used forestry tracks. A major hydroelectric power station with associated electric power-lines is located only a few kilometres to the south east. The nearest railway (the Inlandsbanan or 'Inland Railway Line') passes approximately 40km to the east. This railway line is connected at Gällivare with the 'Ore Railway Line', used by LKAB for delivery of its iron 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.

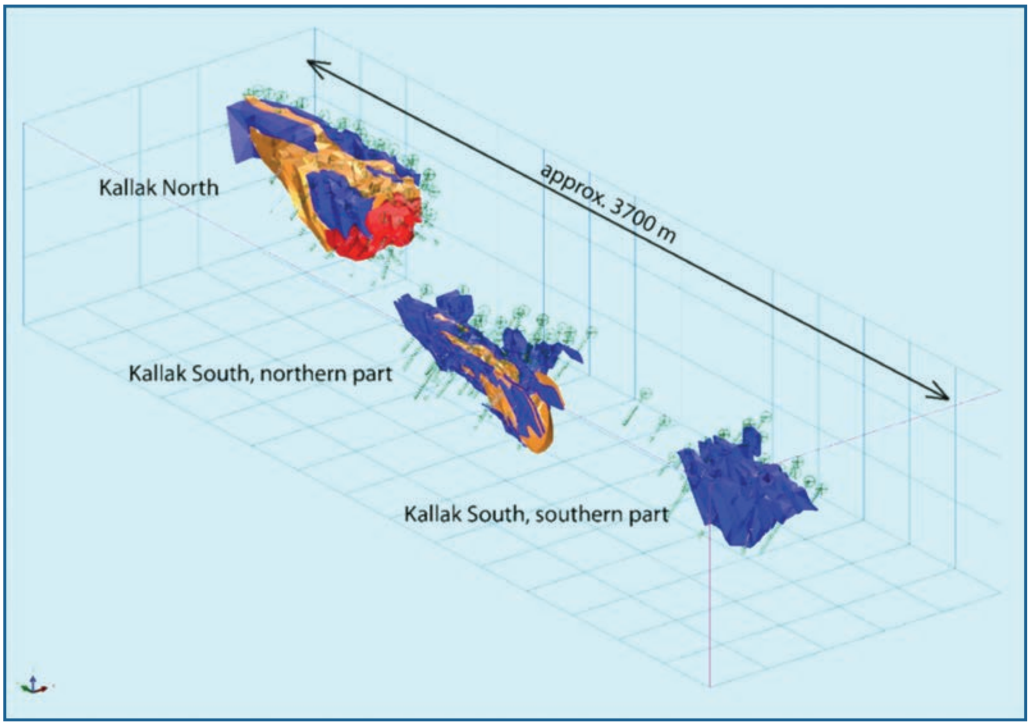
The latest resource statement for the Kallak project was finalised on 28 November 2014, following the guidelines of the JORC Code 2012 edition, summary as follows:

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

Notes:

1. The effective date of the Mineral Resource Estimate is 28 November 2014.
2. Resources have been classified as Indicated or Inferred, following the guidelines of the JORC Code, 2012 edition.
3. Cut-off grade of 15 per cent 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.

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



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

Review of Operations and Activities

Application for an Exploitation Concession

2017 Update

The Company is steadfast in its belief that the Kallak application fully satisfies the requirements of the Swedish Minerals Act, the Environmental Code, and Swedish law, but there were still more twists and turns in the Exploitation Concession process in 2017.

In March 2017, the RAÄ and the NV completed a review on the sufficiency of information provided in the Company's application, with respect to the interaction between Kallak and Laponia. They concluded that Kallak would not directly impact Laponia, but suggested that the Company should provide more details to describe the possible indirect effects of a mining operation at Kallak on Laponia, the interaction of mining and reindeer herding, and matters related to transport.

Even though the RAÄ and NV failed to be specific, as requested by the Mining Inspectorate, as to where the Company's EIA might be insufficient in the detail it provides, the Company produced a HIA, which was submitted to the Mining Inspectorate in April 2017. A HIA is not typically required in the prescribed process for an Exploitation Concession.

When the CAB consulted with these two agencies later in the year, they confirmed to the CAB that the information provided by the Company is possibly sufficient for the CAB to provide its opinion to the Government on whether mining is an appropriate land use for Kallak with reference to Chapters 3 and 4 of the Environmental Code.

The RAÄ and NV gave the Company recognition for the additional information provided, namely a submission to the CAB in December 2016 and the HIA. However, they did not take any position regarding the potential impact on reindeer herding caused by Kallak and suggested that the CAB may wish to consult with Sametinget on this matter. The RAÄ and NV considered that the claim by Sametinget for a national interest for reindeer herding at Kallak, despite being made four years after the Swedish Geological Unit's designation, is relevant and needs to be considered.

Other material developments during the year included, in June 2017, the Mining Inspectorate returning the Company's application to the Government, and importantly confirming that the Kallak North EIA is consistent, in the detail provided, in meeting the requirements of the SAC Norra Kärr judgement, and later in November 2017, a further statement from the CAB.

In September 2017, the Company published the Copenhagen Economics' Study titled 'Kallak - A real asset, and a real opportunity to transform Jokkmokk'. The Study built on work carried out by the Company and others, including the 2015 independent socio-economic study initiated by Jokkmokks Kommun, completed by consultants Ramböll, which in its findings concluded that a mining development at Kallak would create direct and indirect jobs, increase tax revenues and slow down population decline, and the 2010 study by the Economics Unit of Luleå University of Technology, 'Mining Investment and Regional Development: A Scenario-based Assessment for Northern Sweden'.

The Study showed that a mining operation at Kallak has the potential to create 250 direct jobs and over 300 indirect jobs in Jokkmokk; jobs that could be sustained over a period of 25 years or more. In addition, Kallak has the potential to generate SEK 1 billion in tax revenues, considering the case where 70 per cent of the mine's workforce are based locally, with annual tax revenues of SEK 40 million over a 25 year mine life; tax revenues which would help to develop and sustain public services and infrastructure in Jokkmokk, which are at risk due to a lack of new investment and job creation in the community, a declining population, and an ageing population.

Despite the Study, and the commencement of a Scoping Study with SRK, on 30 November 2017, the CAB responded to questions from the Government and recommended that an Exploitation Concession for Kallak North not be granted. The CAB's statement contradicted its July 2015 position, when it supported the economic case for Kallak, and in the Company's opinion, the CAB has failed to use the socio-economic assessment criteria set out in the Environmental Code, which put emphasis on safeguarding investment and job creation, and giving consideration for a municipalities' financial health.

Instead, the CAB presented a scenario of State investment in infrastructure being necessary to support the mine, which has never been proposed or suggested by the Company. It is the Company's opinion that the analysis by the CAB is flawed, and its conclusions are biased and cannot be supported.

The Board remains firmly committed to the responsible development of a modern, sustainable, and innovative mining operation at Kallak in partnership with the local community. This remains the Company's ambition, and we now wait for the Government to decide on our application.

Post year end

The Company's application for an Exploitation Concession remains with the Government. On 1 February 2018, the Company announced that it had provided comments to the Government on the CAB's statement dated 30 November 2017. The Company summarised the main points used by the CAB to support the CAB's latest position that an Exploitation Concession for Kallak North should not be awarded.

The CAB has argued that the estimated 14-year production life of Kallak, as included in the original application, is of such short duration, that it does not justify Government investment in infrastructure, it does not support a socio-economic case, and it is not a reasonable use of natural resources. In addition, given the 14-year production life, the CAB views reindeer herding as the best use of land. Finally, that risks to the World Heritage Status of Laponia remain unclear.

In its response, the Company summarised chronologically the CAB's handling of the Company's application, and the involvement of other authorities. Also, the Company detailed its interpretation of the Swedish Minerals Act, the Environmental Code, and the roles of each authority, in assessing the Company's application for an Exploitation Concession.

Mine Production Life

The Company has argued that a mine at Kallak is likely to be in production for much longer than 14 years, based on existing knowledge of the orebodies at Kallak North and Kallak South; a fact acknowledged by the CAB in its July 2015 statement, when it supported both the economic case for Kallak, and the Company's application.

In addition, the Company argues that mining projects, in general, add to their resource inventories, and apply for permits over time, extending their production lives. There are examples of mines in Sweden, which have been in production for decades, and in some cases centuries.

Infrastructure Investment

The CAB asserts that the Swedish Government may have to invest in infrastructure to facilitate a mine at Kallak, and by using a 14-year mine life the CAB states that there is no case to support this. The Company has never suggested that the Government needs to invest in infrastructure associated with Kallak.

It is fact, that potential infrastructure partners in the region have their own expansion and investment plans, including Inlandsbanan and the Port of Luleå. Additionally, LKAB, with Trafikverket, is working on increasing the capacity of the Ore Railway Line.

The Company also notes that the prescribed process for handling the Kallak application, referring to the Swedish Mineral Act and Environmental Code, and the SAC's judgement in the Norra Kärr case, does not require full assessment of matters regarding transport at this stage of permitting.

Reindeer Herding

The Company has reminded the Government that for four years since February 2013, when Kallak was designated by the SGU as an Area of National Interest ("ANI"), there were no competing national interests.

Before February 2017, when Sametinget placed national interest for reindeer herding directly on top of Kallak, there were no conflicting national interests for the Concession Area, or for those areas taken by operational facilities necessary to support mining. A fact recognised by the CAB in its July 2015 statement, when it supported both the economic case for Kallak, and the Company's application.

In the CAB's latest statement, it has given no consideration to the years since the Company submitted its original application, in April 2013, the Company's engagement with the CAB, and continued

Review of Operations and Activities

investment in Kallak, when there were no conflicting national interests. The CAB now argues in favour of national interest for reindeer herding.

The CAB has not acknowledged that mining and reindeer herding can prosper side by side, despite providing no evidence to the contrary. Previously, the Company has stated that there are no examples in Sweden of any reindeer herding community being closed by any form of industrial activity, not just mining. Yet, there are many examples of companies reaching agreements with reindeer herding communities, as projects progress towards eventual operation, which benefit all parties concerned.

In the Kallak application, the Company has included preventative, precautionary, and compensatory frameworks, to be developed into management plans in consultation with the reindeer herding communities, at the appropriate time, and when details are available to have meaningful discussions and make definitive agreements.

The Company has restated key numbers, that Kallak's area of 13.6 square kilometres ("km^2") compares to Jåhkågaska tjellde's 2,640km^2 of grazing land or 0.5 per cent, and that reindeer herding in Sweden covers 220,000 km^2, representing almost half of the country.

Laponia

Kallak is situated, at the closest point, approximately 34km away from Laponia. Laponia's boundary has been established to protect what lies within the boundary, and not to restrict development, such as Kallak, which is located far beyond any conceivable 'buffer zone'. It is the Company's view that suggesting Kallak could have such an impact on Laponia as to threaten Laponia's World Heritage Status is not a reasonable argument. The Company's ambition, to develop a modern and sustainable mining operation, in partnership with the community, protecting all interests, will further ensure that Laponia is unaffected.

The Kallak application and the Company's Heritage Impact Assessment have comprehensively assessed the direct and indirect effects of Kallak on Laponia. The Company maintains that mining and reindeer herding can prosper side by side, and there should be no material impact on reindeer herding in Laponia, and when it comes to transport, environmental permitting will safeguard the interests of Laponia.

On 6 March 2018, the Company published a letter written by Kurt Budge, CEO, to the Government. Extract as follows:

"Subject: Bearbetningskoncession Kallak Nr 1 N2017-04553

Thank you for giving Jokkmokk Iron Mines AB, a 100 per cent owned subsidiary of Beowulf, the opportunity to make final comments to the Government in respect of our application for an Exploitation Concession for the Kallak North Iron Ore Project.

I joined Beowulf in September 2014, having worked in the mining sector for over 20 years, in business development with the multi-national company Rio Tinto, in operations in the UK coal industry, and in banking and private equity. My values are centred around working in partnership with stakeholders and delivering sustainable development. This is what I have done in my career, when managing operations, permitting, and developing new mines.

Since I joined Beowulf, the Company has done everything it can to build and strengthen relationships with the community in Jokkmokk, and with regulators and decision makers in Norrbotten and Stockholm. During this time, the mayors of Jokkmokk and Luleå, and entrepreneurs and landowners in Jokkmokk, have voiced their support for the Kallak project. They want companies to come to Jokkmokk and Norrbotten, to invest, to create opportunities for job creation and economic growth; Beowulf has done just that, and I have made it clear that the Company's approach is to develop Kallak in partnership with local and regional stakeholders, in a responsible and sustainable way, and in harmony with the environment.

The delays and constant waiting for an authority to give an opinion or take a decision on our application have significantly impeded discussions with the Saami. We share the Minister's view that mining and reindeer herding can coexist, and the Kallak project is no exception, as the evidence shows for existing mines in Sweden. We see many examples in Sweden where agreements have been reached between companies and the Saami, and positive working relationships have been developed; this is the Beowulf's intention. Despite perceived threats to reindeer herding, studies show that reindeer herding in Sweden is on the increase, and we have found no examples of a cooperative being forced to close because of a new industrial development, not just mining.

Before October 2014, there was good exchange between Länsstyrelsen in Norrbotten and the Company, with questions being asked and answers given on our application. By the autumn of 2014, the Company had drilled almost 28,000m at Kallak, and on 28 November 2014 updated its mineral resource statement, including the deposits of Kallak North and Kallak South, indicating the potential for a global tonnage of iron ore mineralisation of circa 250Mt. To date, Beowulf has invested SEK 77 million in Kallak.

It is widely acknowledged that Länsstyrelsen has consistently failed to follow the prescribed process for assessing an Exploitation Concession application. Now it writes about the need for State investment in infrastructure to support Kallak; this has never been proposed or suggested by the Company.

In Norrbotten, Inlandsbanan, the Port of Luleå, and LKAB and Trafikverket are all looking at expanding infrastructure capacity. As we tried to demonstrate with the Copenhagen Economics' project study, titled 'Kallak - A real asset, and a real opportunity to transform Jokkmokk', there is a 'Bigger Picture' positive impact that Kallak can deliver, both in Jokkmokk and Norrbotten, as major projects in the region are interlinked and interdependent.

Mining the Kallak North deposit has the potential to provide around 250 direct jobs and SEK600 million in additional tax revenues to the Municipality of Jokkmokk over 14 years. If the mine life is extended with the Kallak South deposit, then SEK1 billion in additional tax revenues could be generated over 25 years.

A well-engineered plan is essential, so that the local community reaps the benefits of Kallak's potential, and Beowulf believes that the full potential benefits will only materialise through partnership and collaboration with local and regional stakeholders.

Länsstyrelsen's latest statement contradicts its July 2015 position, when it supported the economic case for Kallak, then verbally confirmed its support to Bergsstaten for the Company's application, and Bergsstaten, in October 2015, recommended to the Government that the Concession be awarded. It is based on statements such as this, that Beowulf has continued to invest in Kallak.

Also, in July 2015, Länsstyrelsen acknowledged that there were no conflicting national interests for the Concession Area. This was also the case for those areas taken up by operational facilities necessary to support mining. In February 2013, the SGU designated Kallak an Area of National Interest for its mining potential. Four years later, in February 2017, Sametinget placed national interest for reindeer herding directly on top of the Kallak Concession Area.

Now, Länsstyrelsen gives no consideration for the period when there were no conflicts, and it watched the Company continue to invest in Kallak. It now chooses to build a case around reindeer herding being the most important national interest, but this is based on false arguments. I would suggest that to most observers, the fact that Sametinget asserted national interest for reindeer herding directly on top of the Kallak Concession Area four years after the SGU designation, and late in the application process, would appear nothing but an attempt to obstruct and frustrate our application.

With respect to Laponia, Kallak is 34km away at its closest point. Existing mines operate in closer proximity and have not threatened Laponia's World Heritage Status. Naturvårdsverket and Riksantivarieämbetet have confirmed that Kallak will have no direct impact on Laponia.

Laponia's boundary has been established to protect what lies within the boundary, and not to restrict development, such as Kallak, which is located far beyond any conceivable 'buffer zone'. It is the Company's view that suggesting Kallak could have such an impact on Laponia as to threaten Laponia's World Heritage Status is not a reasonable argument. The Company's ambition, to develop a modern and sustainable mining operation, in partnership with local stakeholders, protecting all interests, will further ensure that Laponia is unaffected.

The Kallak application and the Company's Heritage Impact Assessment have comprehensively assessed the direct and indirect effects of Kallak on Laponia. The Company maintains that mining and reindeer herding can prosper side by side, and there should be no material impact on reindeer herding in Laponia, and when it comes to transport, environmental permitting will safeguard the interests of Laponia.

Review of Operations and Activities

I have never during my previous career, in any country, been involved in a permitting process where the authorities have shown such a lack of willingness to engage with a company on a major application. The permitting process we have experienced has been inefficient, slow, and unpredictable. Our application has been passed back and forth, from one authority to another, with no questions put to the Company, nor feedback given on additional documentation we have provided, nothing. No authorities have made any attempt to reconcile the differences between the Saami villages and the Company, or to facilitate the discussion that could lead to an understanding between the parties. Instead decision makers choose to sit in isolation, and determine the fate of our application, evidently misrepresenting the facts, and biased in their analysis.

Länsstyrelsen's actions have so far hindered Beowulf, the Kallak project, and, as commented by industry participants in Sweden and mining analysts in London, are damaging Sweden's reputation as a place to invest and do business.

On 22 February 2018, the Fraser Institute in Canada, published it latest rankings on Investment Attractiveness of mining jurisdictions globally, and Sweden has fallen eight places to 16th. Beowulf did not take part in the survey, but comments from another exploration company included, "Sweden is a stable system; however, there is still room for improvement. Investors have concerns over permit delays, lengthy legal disputes, and inconsistent environmental regulations".

In January 2017, I spoke in Stockholm on the comparative advantage of doing business in Sweden. What should be a real advantage to Sweden, is being damaged by uncertain application processes, a distinct lack of respect shown by Swedish authorities for mining companies and their permit applications, scant regard for the significant investments being made and the potential job opportunities being created.

I heard the Minister speak at SveMin's Höstmöte in Stockholm, at the end of November 2017, about the importance of the mining industry in Sweden, and the problems being experienced with permitting new mines. More recently, I see that the Swedish Government has given SEK10 million to the SGU to explore for 'Battery Minerals' in Bergslagen. It may interest the Minister to know, that Beowulf has a portfolio of graphite projects in Finland, which we are actively exploring.

In September 2017, the Minister was quoted in the Swedish media as saying that Swedish law is enough for testing our application, and that the permitting process should be "by the book".

We hope that the Government now looks objectively at the facts, the Company's investment, its commitment to developing a modern and sustainable mining operation, and the approach we have taken with all our stakeholders in Jokkmokk, including the Saami villages, to develop the Kallak project in partnership with them. We are willing to take all necessary precautions to minimise the impact on reindeer herding and have also several times stated that any eventual remaining impact shall be fully compensated.

In October 2015, Bergsstaten recommended to the Government that an Exploitation Concession be awarded for Kallak Nr 1. Over the last three years, the prescribed process in Sweden for an Exploitation Concession has not changed, we have addressed specific concerns raised by Norrbotten Länsstyrelsen regarding transport, provided supplementary information to demonstrate that mining and reindeer herding can prosper together, and a Heritage Impact Assessment to dispel any concerns about the interaction of Kallak and Laponia.

In Jokkmokk, no other Company has invested SEK77 million and created an opportunity like Kallak, that has the potential to transform the town, and deliver a thriving, diversified and sustainable economy for the people living there."

Åtvidaberg nr 1 Exploration Licence

The exploration licence for Åtvidaberg nr 1 is in southern Sweden, to the southern end of Bergslagen, one of Europe's oldest mining areas. Bergslagen contains one of the world's main volcanogenic massive sulphide ("VMS") districts with deposits characterised by high contents of zinc, lead, copper, and sometimes silver and gold, the majority of which are small deposits. Bergslagen yielded a substantial portion of Sweden's mineral wealth during the 1800s to 1900s, with several large mines and hundreds of smaller mines producing copper, zinc, lead, gold, and silver. Current operating mines in the area include Boliden's Garpenberg and Lundin Mining's Zinkgruvan mines.

Bergslagen has seen little modern exploration, yet it hosts Bersbo, one of Sweden's largest early copper mines, and Zinkgruvan, Sweden's most important zinc mine. Other than at Zinkgruvan, exploration activity in Bergslagen has predominantly focused on finding new outcropping ore bodies, with some historic mining areas not being explored since the 1900s.

In late April 2017, the Company held a three-day field workshop at Åtvidaberg, which brought together the Company's exploration team and external experts with major mining company exploration experience, relevant to Bergslagen, volcanogenic massive sulphide mineralisation and modern exploration technologies. The workshop provided the opportunity to brainstorm ideas and develop a plan for the year, which featured both fieldwork and desktop studies focused on understanding the historical mining around Bersbo.

Åtvidaberg represents early stage exploration, but offers real potential for Beowulf, as signified by past discoveries and historic mines.

Sala nr 10 Exploration Licence

The Sala licence area covers 1,049ha and is 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.

Review of Operations and Activities

FINLAND

Finnish Exploration Permits

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

Permit Name	Permit ID	Area (km^2)	Valid from	Valid until
Approved Claim Reservations:				
Pitkäjärvi 1	2016:0040-01	10.00	07/12/2016	07/12/2020
Viistola 1	2016:0005-01	0.49	09/11/2017	09/11/2021
Applied for Exploration Permits				
Haapamäki 1	2015:0025-01	4.77	Applied for 26/04/2016	
Rääpysjärvi 1	2017:0104-01	7.16	Applied for 08/08/2017	
Kolari 1	2017:0108-01	9.70	Applied for 29/11/2017	
Joutsjärvi 1	2017:0122-01	5.79	Applied for 16/10/2017	

Aitolampi/Pitkäjärvi – Graphite

Introduction

The Aitolampi and Pitkäjärvi graphite prospects were new discoveries in 2016 and are eastern extensions to the Haapamäki prospect. 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. Haapamäki is in eastern Finland approximately 40km southwest of the well-established mining town of Outokumpu.

2017 Summary

The Company made real progress on its graphite portfolio during 2017. Starting with metallurgical testwork results for composite samples taken from the Haapamäki, Pitkäjärvi and Aitolampi graphite prospects. The Company then completed 1,197m of drilling at Aitolampi. The eight-hole diamond drill programme confirmed that the EM anomalies identified are associated with wide zones of graphite mineralisation, with a mineralised strike length of at least 350m along the main conductive zone drill-tested, dipping between 40 and 50 degrees to the southwest. The main EM zone extends for 700m.

In October 2017, the Company announced high grade concentrate results for composite samples from the Aitolampi project. For three samples, the combined grades ranged from 96.8 per cent to 97.5 per cent Total Carbon. Beowulf achieved a superior metallurgical response from all three samples compared with grab samples from outcrops analysed earlier in the year. The process flowsheet used was simple and proved to be very efficient. The produced concentrates were then sent for further testwork to determine their marketability and potential applications.

The focus remains to put one of Beowulf's graphite projects into production within three years, and, at this time, Aitolampi is the front runner.

Review of Operations and Activities

Aitolampi Drilling

- 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.
- Drill hole AITDD17006 intercepted 202.98m at 3.09 per cent Total Graphite Carbon ("TGC") from 19.2m depth (this includes some barren zones with no assays and calculated as zero per cent TGC), and higher-grade zones of 18.95m at 6.33 per cent TGC, and 14m at 6.26 per cent TGC.
- Drill hole AITDD17001 intercepted 141.86m at 3.72 per cent TGC from 19.67m depth, including a higher-grade zone of 39.48m at 5.02 per cent TGC.
- Drill hole AITDD17008 intercepted 60.29m at 4.01 per

cent TGC from 8.71m depth, including 12m at 5.79 per cent TGC.

- Drill hole AITDD17005 intercepted 41.1m at 4.39 per cent TGC from start of hole, including 28.4m at 5.1 per cent TGC and 4m at 7.71 per cent TGC.
- It should be noted that the mineralisation intercepts are the down-hole widths and are not the true width of mineralisation. All samples were prepared and analysed by ALS Finland Oy's laboratory in Outokumpu.

Metallurgical Testwork

- Composite samples from the drilling programme were dispatched to SGS Mineral Services in Canada. They included an average grade composite for the main conductive zone, a higher-grade composite for the main conductive zone/near-surface mineralisation, and a higher-grade composite for the parallel conductive zones.
- The combined grades ranged from 96.8 per cent to 97.5 per cent Total Carbon ("C(t)") across the three samples.
- All three samples responded similarly in terms of concentrate grades of the various size fractions.
- Testwork achieved a superior metallurgical response with all three samples compared with grab samples from outcrops analysed earlier in the year.
- The process flowsheet used was simple yet proved to be very efficient.

Review of Operations and Activities

Post-Year End

Metallurgical Testwork/Market Assessment

- Concentrates from the SGS testwork were sent to ProGraphite Gmbh ("ProGraphite") based in Germany. ProGraphite specialises in the processing and evaluation of graphite materials.
- Alkaline purification produced 99.86 per cent C(t) for +100-mesh concentrate and 99.82 per cent C(t) for -100-mesh concentrate.
- Results from acid purification were also promising and reached 99.6 per cent C(t) for the +100-mesh and 99.41 per cent for the -100-mesh concentrate.
- The alkaline and acid purification results indicate that, with some process optimisation, Aitolampi concentrates may meet the purity specification of 99.95 per cent C(t) required for the lithium ion battery market.
- Aitolampi graphite shows high crystallinity, with the degree of graphitisation measuring approximately 98 per cent, which is almost perfect crystallinity, an important prerequisite for high tech applications, such as lithium ion batteries.
- Volatiles are low, which is an attractive product attribute in many applications, including refractories, lubricants, crucibles, and foundries.
- Specific Surface Area ("SSA") is comparable to that of high quality flake graphite from China.
- Oxidation behaviour is comparable with Chinese graphite of the same flake size, used for refractories, and other high temperature applications.

Further Drilling

- In March 2018, the Company awarded a contract to Oy Northdrill, a Finnish drilling company.
- 10 holes have been completed and 1577.6m have been diamond drilled.
- Longest hole drilled, AITDD18014, was 235.3m, and intercepted a total length of graphite mineralisation of 127.4m, including a single intercept of 44.9m. Mineralisation started 24.4m from the collar. This hole tested all three conductive zones including the north-western strike extension of the higher-grade parallel graphite zones intersected in hole AITDD17006 in last year's drilling programme.
- Longest single intercept of graphite mineralisation, in hole AITDD18015, was 99.4m. Total hole length was 150.0m and mineralisation started at 20.7m from the collar.
- Infill drilling has confirmed the continuity of graphite mineralisation between holes drilled in the 2017 drilling programme.
- Several holes proved mineralisation down-dip from graphite intersected in 2017 and intersected wide mineralised zones along strike and down-dip for some of the previously identified higher grade mineralised zones.
- Drilling shows that mineralisation has a strike length of at least 350m along the main conductive zone (the main EM anomaly extends for 700m).
- For the two parallel higher-grade zones previously identified, mineralisation has a strike length of at least 150m (the two parallel conductive zones extend for 300m and 250m).
- Mineralisation for all zones remains open along strike and at depth.
- Within the Company's Pitkäjärvi licence area, several extensive EM conductors, associated with graphite observed in surface outcrops, have yet to be drilled, are prospective for graphite mineralisation, and offer potential upside.
- The Company's geologists core logged for all holes, and samples have been sent to ALS Minerals in Finland for assay. All samples are being assayed for Graphitic Carbon (C-IR18), Total Carbon (C-IR07) and Total Sulphur (S-IR08).

Assay Results

- Drilling has confirmed the continuity of mineralisation between holes drilled in 2017, wide graphite lenses extending along strike, at least 350m along the main conductive zone (EM anomaly extends for 700m), and at depth.
- For the two parallel higher-grade zones previously identified, mineralisation has a strike length of at least 150m (the two parallel conductive zones extend for 300m and 250m), and these zones seem to merge to form one body of mineralisation.
- From northwest to southeast along strike, drill holes AITDD18014, AITDD18016, AITDD18015, AITDD18017 and AITD18018 (drilled on the same profile), all intersected this higher-grade body of mineralisation, with intercepts of 89.60m at 4.01% TGC, 107.09m at 4.59% TGC, 108.69m at 5.04% TGC, 121.68% at 5.00% TGC and 121.46m at 5.29% TGC respectively.
- For these holes, intercepts showing greater than 5% TGC were as follows: AITDD18014 - 30.10m at 5.75% TGC; AITDD18016 - 29.00m at 6.04% TGC; AITDD18017 - 62.42m at 6.08% TGC; and AITDD18018 - 92.46m at 6.19% TGC, including 44.00m at 7.08% TGC.
- AITDD18018 is the furthest hole drilled to the southeast, to test the parallel higher-grade conductive zone, which remains open in all directions.

Board of Directors

Göran Färm - Non-Executive Chairman

Mr Farm joined Beowulf as Non-Executive Chairman in October 2017.

Göran, born in 1949, was an elected Member of European Parliament ("MEP") from 1999 to 2004 and, then again, from 2007 to 2014. Göran was also Deputy Mayor of Norrköping during the 1990s.

Göran has experience in industrial policy as a former Head of the Swedish Trade Union Confederation's unit for economic policy and investigation, as head of business issues in the City of Norrköping and as former MEP of the Committee of Industry, Research, and Energy of the European Parliament.

Göran has extensive experience in communications as a former journalist, Director of Information at Riksbyggen, and as a public affairs advisor.

In 2015, Göran was elected as Chairman of Kommuninvest, a public development bank owned by Swedish municipalities, cities, and regions.

Kurt Budge - Chief Executive Officer
MBA MEng ARSM

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 - Non-Executive Director
BSc Hons Geology, MSc DIC Mineral Exploration

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 2017.

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 £1,038,248 (2015: Loss of £632,125). 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 requirements of the prescribed process for an Exploitation Concession	HIGH	In July 2015, the CAB supported the Company's application, and in October 2015 the Mining Inspectorate recommended that the concession be awarded. The CAB's latest statement contradicts its July 2015 position. In the Company's opinion, the CAB has failed to use the socio-economic assessment criteria set out in the Environmental Code, which put emphasis on safeguarding investment and job creation, and giving consideration for the municipalities' financial health. It is the Board's opinion that the Company has fully met the requirements of the prescribed application process, Swedish Minerals Act and Environmental Code.	MEDIUM
Unable to raise sufficient funds	Unable to raise sufficient funds to invest in project portfolio and cover corporate costs	MEDIUM	Effectively communicate to the market. Raise capital in a timely manner, as record of accomplishment shows. Ensure forecasting is accurate, and expenditure controls are in place to optimise cash resources.	MEDIUM
Long term adverse changes in commodity prices	Prices for iron ore, graphite, and other commodities may affect the viability of the Company's projects	MEDIUM	The Company identifies and invests in high quality projects that are attractive to the market. The Company will manage capital and operating expenditures to maximise shareholder returns.	MEDIUM
Not discovering an economic mineral deposit	Very few projects go through to be developed into mines	HIGH	Early studies and testwork give confidence that the Company is allocating capital appropriately. In Kallak and Aitolampi we have potential quality resources, benefitted by excellent local infrastructure, and established low-risk mining countries.	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 diligently manages its licences to ensure full compliance. A monthly status report is generated for monitoring purposes and action.	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 a history of tightly managing its expenses.

ii. Cash position

Cash is vital for an exploration company and it must be managed accordingly. Monthly, the Company, analyses the expenditure of each subsidiary. It also manages 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 its Finnish graphite permits while, in Sweden, the Company uses an external service provider to report on the status of its permits and assist with renewal applications.

ON BEHALF OF THE BOARD:

Mr K Budge
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 2017.

DIRECTORS

Since 1 January 2017 the following Directors have held office:

Mr B Metcalf
(Retired 30 October 2017)

Mr K R Budge

Mr Christopher Davies

Mr G Farm
(Appointed 30 October 2017)

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017 (2016: £nil).

GOING CONCERN

At 31 December 2017, the Group had a cash balance of £1.59 million.

Management have prepared cash flow forecasts which indicate that although there is no immediate funding requirement, the Group will need to raise further funds in the next 12 months for corporate overheads and to advance its projects.

The Directors are confident they are taking all necessary steps to ensure that the required finance will be available and they have successfully raised equity finance in the past. They have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. 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 three per cent or more of the Group's ordinary shares on 31 December 2016:

Shareholders	Shares	%
Interactive Investor Services Nominees Limited – A/C SMKTNOMS	29,243,320	5.47
Barclays Direct Investing Nominees Limited	18,796,237	3.52
Interactive Investor Services Nominees Limited – A/C SMKTISAS	16,307,745	3.05

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 2017, shareholders gave authority for the Directors to allot equity securities for cash up to an aggregate nominal value of £1,314,268 (2016: £1,198,242).

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 to the financial statements.

FUTURE DEVELOPMENTS WITHIN THE BUSINESS

Beowulf's strategy is to build a modern and sustainable Nordic focused mining company, which creates shareholder value through project development, delivering production and generating cash flow, while remaining opportunistic for mergers and acquisitions, and preserving the Company's low sovereign risk profile.

The Company continues to advance its Kallak project whilst waiting for an Exploitation Concession to be awarded, in addition to progressing with its portfolio of exploration assets in Sweden and Finland.

The Company is looking forward to a busy 2018, with exploration activity and study work planned across its portfolio. Beowulf is also maintaining a keen eye for any merger and acquisition opportunities.

The Company will look to advance both the development of Kallak and 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 10.30 a.m. (CET) on 29 June 2018 at the offices of Aktitorget, Master Samuelsgatan 42, 3 tr 111 57 Stockholm. 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 K Budge
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 remained unchanged for the year ended 31 December 17. Mr Budge's salary was last increased from £120,000 to £130,000 on 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.

Mr Davies was appointed as a Non-Executive Director on 4 April 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.

Mr Farm was appointed as Non-Executive Chairman on 30 October 2017. Under Mr Farms letter of appointment, he is paid an equivalent fee in £'s of £33,975 per annum. Mr Farm 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 2017 and 31 December 2016, was as follows:

Name	Position	Salary & Fees[1] £	Share based Payments[2] £	Gain on exercise of share options £	Benefits[4] £	Pension[5] £	2017 Total £	2016 Total £
Mr B Metcalf[3]	Non-Executive Chairman	51,795	9,437	378,450	-	-	439,682	78,250
Mr K R Budge	Chief Executive Officer	130,000	10,617	-	300	10,833	151,750	142,901
Mr C Davies[4]	Non-Executive Director	32,000	101,669	-	-	-	133,669	22,625
Mr G Farm	Non-Executive Chairman	4,674	-	-	-	-	4,674	-
Total		**218,469**	**121,723**	**378,450**	**300**	**10,833**	**729,775**	**243,776**

Notes:

1. Does not include expenses reimbursed to the Directors.
2. In relation to options granted in 2014, 2015 & 2017.
3. Mr Metcalf's salary and fees above are for the period 1 January 17 to 30 October 2017, the date of his retirement.
4. Personal life insurance policy.
5. Employer contributions to personal pension.

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

The beneficial and other interests of the Directors holding office on 31 December 2017 in the issued share capital of the Company were as follows:

ORDINARY SHARES	31 December 2017	31 December 2016
Mr B Metcalf (resigned)	-	2,165,841
Mr K R Budge	2,249,759	2,249,759

Mr Davies was awarded 2,500,000 options in the year ended 31 December 2017. Half of these options are due to vest on the first anniversary of the grant, and half on the second anniversary of the grant. The options are valid for five years from the date of grant.

In the year ended 31 December 2017 Mr Metcalf (resigned October 2017) exercised 500,000 and 8,000,000 options at 4 pence and 1.66 pence respectively.

As 31 December 2017, 4,500,000 options have not yet vested.

ORDINARY SHARES UNDER OPTION	NUMBER	EXERCISE PRICE	EXPIRY DATE
Mr K R Budge	500,000	4 pence	9 October 2019
Mr K R Budge	9,000,000	1.66 pence	17 July 2020
Mr C Davies	2,500,000	12 pence	26 January 2022

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.

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 Göran Färm (Chair) and Chris Davies.

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 Göran Färm (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.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Independent Auditor's Report

Opinion

We have audited the financial statements of Beowulf Mining PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated income statement, the consolidated statement of 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 notes to the financial statements including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which explains that the group will need to raise further funds in the next 12 months for corporate overheads and to advance its projects. Our opinion is not modified in respect of this matter.

The matters explained in note 1 indicate that a material uncertainty exists that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group or the parent company were unable to continue as a going concern.

Given the conditions and uncertainties noted above we considered going concern to be a Key Audit Matter. We critically assessed management's financial forecasts and the underlying key assumptions, including operating and capital expenditure. In doing so, we considered factors such as commitments under licences, historical operating expenditure and the group's ability to raise funding in the near future. Our assessment also included:

- Making enquiries of management of the future financing plans and options.
- Performing sensitivity analysis in respect of key assumptions underpinning the forecasts.
- We evaluated the adequacy of disclosure made in the financial statements in respect of going concern.

We found the key underlying assumptions to be within an acceptable range and the disclosures in the financial statements in respect of going concern to be appropriate.

Use of report

This report is made solely to the parent 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 parent 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 parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of exploration assets

Key Audit Matter	The group's exploration assets represent its most significant assets and amount to £8.2 million as at 31 December 2017. Of this £7.0m relates to the Kallak North project, for which the application for the exploitation concession is currently being reviewed by the Swedish government. As explained in note 1 to the financial statements the assessment of whether there are indicators of impairment in relation to the exploration assets requires the exercise of significant judgement by management. Given the significance of the carrying value of the Kallak North project, the delays in the grant of the exploitation concession and the recent decision by the County Administrative Board ("CAB") not to support the grant of the concession, the assessment of whether there are indicators of impairment for the Kallak North project represented a key audit matter for our audit. Directors have assessed whether there is an indicator of impairment for the Kallak North project and have concluded that this is not the case. Refer to note 7 for details of Management's assessment.
Audit Response	• We reviewed Management's assessment of indicators of impairment under IFRS 6 in respect of each of the licence area, including the validity of the licences, planned expenditure on each area and management's intention to continue exploration work on each licence area. • We reviewed the status and validity of licences, including compliance to the terms of the licences. • We reviewed and challenged Management's assessment and consideration of the evidence to support the grant of exploitation concession, the delays in the grant and the recent decision by the CAB not to support the grant of the concession. This included review of correspondence with the various Swedish authorities involved in the process and assessment of their views and conclusions, review of CAB's points raised during the application process and Management's response and actions thereof and critical assessment of Management's views on CAB's recent decision to not support the award of the concession. • In addition, we made inquiries of management, reviewed minutes of meetings, RNS announcements and press releases to identify any additional information on the Kallak North concession application and any other factors which may indicate a potential indictor of impairment. • We evaluated the adequacy and appropriateness of the disclosures provided within the financial statements in notes 1 and 7.

Independent Auditor's Report

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Our basis for the determination of materiality has not changed from prior year. We consider total assets to be the most significant determinant of the group's financial performance used by shareholders, as the group was engaged in exploration activities and the principal focus of the users is likely to be the gross assets of the group. The benchmark percentage for calculating materiality has remained consistent in the current year at 1.5% of total assets. Whilst materiality for the financial statements as a whole was £150,000 (2016: £120,000) (based on total asset figure of £10m) (2016: £9m), each significant component of the group was audited to a lower level of materiality. The parent company materiality was £112,500 (2016: £90,000) with the other components materiality set at £85,000. These materiality levels were used to determine the financial statement areas that are included within the scope of our audit work and the extent of sample sizes during the audit.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at 75% (2016: 75%) of the above materiality levels given there has been limited experience of past misstatements.

We agreed with the Audit Committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £7,500 (2016: £6,000). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

No revisions were made to materiality levels during the course of the audit.

An overview of the scope of our audit

Our group audit scope focussed on the group's principal operating locations and legal structure. The group has operating entities based in the UK, Sweden and Finland. We assessed there to be two significant components being the Beowulf Mining Plc with operations in UK and Jokkmokk Iron Mines AB with operations in Sweden. The parent entity was subject to a full scope audit by the group auditor.

A full scope audit for group reporting purposes was performed by a non-BDO network firm on the significant component in Sweden, Jokkmokk Iron Mines AB. Specific procedures were completed by a non-BDO network firm in Finland on Oy Fennoscandian Resources AB, which holds the Finnish assets. Detailed group reporting instructions for the testing of the significant areas were sent to the component auditor and we discussed their findings with the component audit partner. The group audit team also performed audit procedures over the significant risk areas and the consolidation.

The remaining non-significant subsidiaries of the group were subject to analytical review procedures.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Stuart Barnsdall (Senior Statutory Auditor)
For and on behalf of BDO LLP,
London, UK

Consolidated Income Statement

	Note	2017 £	2016 £
CONTINUING OPERATIONS			
Administrative expenses		(861,669)	(638,573)
Impairment of exploration costs		(183,131)	-
OPERATING LOSS		(1,044,800)	(638,573)
Finance income	3	5,234	5,344
LOSS BEFORE INCOME TAX	4	(1,039,566)	(633,229)
Income tax expense	5	-	-
LOSS FOR THE YEAR		(1,039,566)	(633,229)
Loss attributable to:			
Owners of the parent		(1,038,248)	(632,125)
Non-controlling interests		(1,318)	(1,104)
		(1,039,566)	(633,229)
Loss per share attributable to the ordinary equity holder of the parent:			
Basic and diluted (pence)	6	(0.20)	(0.13)

The notes on pages 52 to 75 form part of these financial statements

Consolidated Statement Of Comprehensive Income

	Note	2017 £	2016 £
LOSS FOR THE YEAR		(1,039,566)	(633,229)
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss:			
Exchange gains arising on translation of foreign operations		67,862	626,438
Reclassification of revaluation reserve		-	55,664
		67,862	682,102
TOTAL COMPREHENSIVE LOSS/INCOME		(971,704)	48,873
Total comprehensive loss/income attributable to:			
Owners of the parent		(970,426)	49,005
Non-controlling interests	13	(1,278)	(132)
		(971,704)	48,873

The notes on pages 52 to 75 form part of these financial statements

Consolidated Statement of Financial Position

	Note	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7	8,191,232	7,186,576
Property, plant and equipment	8	28,580	23,511
Loans and other financial assets	10	5,530	5,503
		8,225,342	7,215,590
CURRENT ASSETS			
Trade and other receivables	11	65,032	51,766
Cash and cash equivalents	12	1,589,897	1,609,219
		1,654,929	1,660,985
TOTAL ASSETS		9,880,271	8,876,575
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	14	5,342,072	5,026,302
Share premium	16	18,141,271	16,879,241
Revaluation reserve	16	-	25,664
Capital contribution reserve	16	46,451	46,451
Share Based Payment reserve	16	575,078	237,803
Merger reserve	16	137,700	137,700
Translation reserve	16	(397,060)	(464,882)
Accumulated losses	16	(14,079,747)	(13,067,163)
		9,765,765	8,821,116
Non-controlling interests	13	(159,871)	(158,593)
TOTAL EQUITY		9,605,894	8,662,523
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	274,377	214,052
TOTAL LIABILITIES		274,377	214,052
TOTAL EQUITY AND LIABILITIES		9,880,271	8,876,575

The financial statements were approved and authorised for issue by the Board of Directors on 11 May 2018 and were signed on its behalf by:

Mr K Budge - Director
Company Number 02330496

The notes on pages 52 to 75 form part of these financial statements

Company Statement of Financial Position

	Note	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	-	139
Investments	9	479,311	345,015
Loans and other financial assets	10	8,953,625	7,805,923
		9,432,936	8,151,077
CURRENT ASSETS			
Trade and other receivables	11	40,101	34,658
Cash and cash equivalents	12	1,508,321	1,567,770
		1,548,422	1,602,428
TOTAL ASSETS		10,981,358	9,753,505
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	14	5,342,072	5,026,302
Share premium	16	18,141,271	16,879,241
Capital contribution reserve	16	46,451	46,451
Share based payment reserve	16	575,078	237,803
Merger reserve	16	137,700	137,700
Accumulated losses	16	(13,384,494)	(12,680,024)
TOTAL EQUITY		10,858,078	9,647,473
CURRENT LIABILITIES			
Trade and other payables	17	123,280	106,032
TOTAL LIABILITIES		123,280	106,032
TOTAL EQUITY AND LIABILITIES		10,981,358	9,753,505

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 £704,470 (2016: Loss £530,377).

These financial statements were approved and authorised for issue by the Board of Directors on 11 May 2018 and were signed on its behalf by:

Mr K Budge - Director
Company Number 02330496

The notes on pages 52 to 75 form part of these financial statements

Consolidated Statement of Changes in Equity

	Note	Share capital £	Share premium £	Revaluation reserve £	Merger reserve £	Capital contribution reserve £
At 1 January 2016		4,303,138	15,187,112	(30,000)	-	46,451
Loss for the year		-	-	-	-	-
Foreign exchange translation		-	-	-	-	-
Revaluations on listed investments		-	-	55,664	-	-
Total comprehensive income		-	-	55,664	-	-
Transactions with owners						
Issue of share capital		697,664	1,837,243	-	-	-
Cost of issue		-	(145,114)	-	-	-
Equity settled share based transactions		-	-	-	-	-
Release of charge for lapsed options		-	-	-	-	-
Acquisition of subsidiary	9	25,500	-	-	137,700	-
At 31 December 2016		5,026,302	16,879,241	25,664	137,700	46,451
Loss for the year		-	-	-	-	-
Foreign exchange translation		-	-	-	-	-
Total comprehensive income		-	-	-	-	-
Transactions with owners						
Issue of share capital	14	315,770	1,337,030	-	-	-
Cost of issue	14	-	(75,000)	-	-	-
Equity settled share based transactions		-	-	-	-	-
Acquisition of subsidiary		-	-	-	-	-
Transfer of accumulated losses		-	-	-	(25,664)	-
At 31 December 2017		5,342,072	18,141,271	-	137,700	46,451

The notes on pages 52 to 75 form part of these financial statements

Note	Share based payments reserve £	Translation reserve £	Accumulated losses £	Totals £	Non-controlling interest £	Totals £
	97,796	(1,090,348)	(12,466,046)	6,048,103	(158,461)	5,889,642
	-	-	(632,125)	(632,125)	(1,104)	(633,229)
	-	-	-	55,664	-	55,664
	-	625,466	-	625,466	972	626,438
	-	625,466	(632,125)	49,005	(132)	48,873
14	-	-	-	2,534,907	-	2,534,907
14	-	-	-	(145,114)	-	(145,114)
15	40,109	-	-	40,109	-	40,109
	(31,008)	-	31,008	-	-	-
9	130,906	-	-	294,106	-	294,106
	237,803	(464,882)	(13,067,163)	8,821,116	(158,593)	8,662,523
	-	-	(1,038,248)	(1,038,248)	(1,318)	(1,039,566)
	-	67,822	-	67,822	40	67,862
	-	67,822	(1,038,248)	(970,426)	(1,278)	(971,704)
14	-	-	-	1,652,800	-	1,652,800
14	-	-	-	(75,000)	-	(75,000)
15	203,059	-	-	203,059	-	203,059
9	134,216	-	-	134,216	-	134,216
	-	-	25,664	-	-	-
	575,078	(397,060)	(14,079,747)	9,765,765	(159,871)	9,605,894

Company Statement of Changes in Equity

	Note	Share capital	Share premium	Revaluation reserve
		£	£	£
At 1 January 2016		4,303,138	15,187,112	(55,664)
Loss for the year		-	-	-
Reclassification of revaluation reserve		-	-	55,664
Total comprehensive income		-	-	55,664
Transactions with owners				
Issue of share capital	14	697,664	1,837,243	-
Cost of issue	14	-	(145,114)	-
Equity settled share based transactions	15	-	-	-
Release of charge for lapsed options		-	-	-
Acquisition of subsidiary	9	25,500	-	-
At 31 December 2016		5,026,302	16,879,241	-
Loss for the year		-	-	-
Foreign exchange translation		-	-	-
Total comprehensive income		-	-	-
Transactions with owners				
Issue of share capital	14	315,770	1,337,030	-
Cost of issue	14	-	(75,000)	-
Equity settled share based transactions	15	-	-	-
Acquisition of subsidiary	9	-	-	-
At 31 December 2017		5,342,072	18,141,271	-

The notes on pages 52 to 75 form part of these financial statements

Merger reserve £	Capital contribution reserve £	Share based payments reserve £	Accumulated losses £	Totals £
-	46,451	97,796	(12,180,655)	7,398,178
-	-	-	(530,377)	(530,377)
-	-	-	-	55,664
-	-	-	(530,377)	(474,713)
-	-	-	-	2,534,907
-	-	-	-	(145,114)
-	-	40,109	-	40,109
-	-	(31,008)	31,008	-
137,700	-	130,906	-	294,106
137,700	46,451	237,803	(12,680,024)	9,647,473
-	-	-	(704,470)	(704,470)
-	-	-	-	-
-	-	-	(704,470)	(704,470)
-	-	-	-	1652,800
-	-	-	-	(75,000)
-	-	203,059	-	203,059
-	-	134,216	-	134,216
137,700	46,451	575,078	(13,384,494)	10,858,078

Consolidated Statement of Cash Flows

	Note	2017 £	2016 £
Cash flows from operating activities			
Loss before income tax		(1,039,566)	(633,229)
Depreciation charges	8	15,890	12,097
Equity-settled share-based transactions		203,059	40,109
Impairment of exploration costs	7	183,131	-
Expenses financed by issue of shares		-	29,375
Reclassification of revaluation reserve		-	55,664
Finance income	3	(5,234)	(5,344)
		(642,720)	(501,328)
(Increase)/decrease in trade and other receivables		(12,760)	31,646
Decrease/(increase) in trade and other payables		15,673	(15,557)
Net cash used in operating activities		(639,807)	(485,239)
Cash flows from investing activities			
Purchase of intangible assets	7	(943,599)	(622,817)
Purchase of property, plant and equipment	8	(20,367)	(862)
Sale of investments	10	14	50,444
Acquisition of subsidiary		-	(50,482)
Interest received		5,234	5,344
Net cash used in investing activities		(958,718)	(618,373)
Cash flows from financing activities			
Proceeds from issue of shares	14	1,652,800	2,505,530
Payment of share issue costs	14	(75,000)	(145,114)
Net cash from financing activities		1,577,800	2,360,416
(Decrease)/increase in cash and cash equivalents		(20,725)	1,256,804
Cash and cash equivalents at beginning of year		1,609,219	352,914
Effect of foreign exchange rate changes		1,403	(499)
Cash and cash equivalents at end of year		1,589,897	1,609,219

The notes on pages 52 to 75 form part of these financial statements

Company Statement of Cash Flows

	Note	2017 £	2016 £
Cash flows from operating activities			
Loss before income tax		(704,472)	(530,377)
Depreciation charges	8	139	1,841
Equity-settled share-based transactions		203,059	40,109
Finance income	3	(5,234)	(5,344)
Reclassification of revaluation reserve		-	55,664
Expenses financed by issue of shares		-	29,375
		(506,508)	(408,732)
(Increase)/decrease in trade and other receivables		(5,522)	39,444
Increase in trade and other payables		17,251	6,969
Net cash used in operating activities		(494,781)	(362,319)
Cash flows from investing activities			
Loans to subsidiaries		(1,147,702)	(737,822)
Fixed asset additions		-	(862)
Interest received		5,234	5,344
Acquire subsidiary		-	(46,000)
Net cash used in investing activities		(1,142,468)	(779,340)
Cash flows from financing activities			
Proceeds from issue of shares	14	1,652,800	2,505,530
Payment of share issue costs	14	(75,000)	(145,114)
Net cash from financing activities		1,577,800	2,360,416
(Decrease)/increase in cash and cash equivalents		(59,449)	1,218,757
Cash and cash equivalents at beginning of year		1,567,770	349,013
Cash and cash equivalents at end of year		1,508,321	1,567,770

The notes on pages 52 to 75 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 2017, the Group had a cash balance of £1.59 million and the Company had a cash balance of £1.51 million.

Management have prepared cash flow forecasts which indicate that although there is no immediate funding requirement, the Group will need to raise further funds in the next 12 months for corporate overheads and to advance its projects.

The Directors are confident they are taking all necessary steps to ensure that the required finance will be available and they have successfully raised equity finance in the past. They have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. 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 Group and Company were 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

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.

For the year ending 31 December 2018, IFRS 9 ''Financial Instruments'' introduces significant changes to the classification and measurement requirements for financial instruments. The new standard will replace existing accounting standards. It is applicable to financial assets and liabilities and will introduce changes to existing accounting concerning classification, measurement and impairment (introducing an expected credit loss method). This could impact on the Company balance sheet in respect of the carrying value of intercompany debtors, because it is unlikely that the assessment of expected credit loss will support a nil exposure to credit loss.

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 principal source of risk and estimation uncertainty is that the exploitation concession for Kallak North will not be awarded. The board has considered the impairment indicators as outlined in the Company's accounting policies and having done so is of the opinion that the current situation does not qualify as an impairment indicator and hence no impairment provision is required for this permit.(see note 7).

The other key areas of judgement and 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 assessment 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 7); and

(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 and 15).

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.

Notes to the Consolidated Financial Statements

(ii) Subsidiaries and acquisitions (continued)

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.

(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 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	
	2017	2016	2017	2016
			£	£
Wages and salaries	395,252	330,778	229,602	203,667
Social security costs	112,520	50,197	75,842	23,398
Bonus	-	972	-	-
Other benefits	18,203	-	11,133	-
	525,975	381,947	316,577	227,065

Directors' remuneration is as follows:

	2017	2016
	£	£
Directors emoluments, including salary and fees	229,602	203,667
Share-based payments	121,723	40,109
Gain in exercise of share options	378,450	-
	729,775	243,776

The remuneration of the highest paid Director who served during the year was £439,682 (2016: £142,901).

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

	2017 Group Number	2016 Group Number	2017 Company Number	2016 Company Number
Directors	3	3	3	3
Employees	2	2	2	2

Notes to the Consolidated Financial Statements

3. FINANCE INCOME AND COSTS

	2017	2016
	£	£
Finance income:		
Deposit account interest	5,234	5,344
	5,234	5,344

4. LOSS BEFORE TAX AND AUDITOR'S REMUNERATION

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

	Note	2017	2016
		£	£
Depreciation - owned assets	8	15,890	12,097
Foreign exchange differences		(8,015)	(1,124)
Impairment of exploration costs	7	183,131	-
Reclassification of revaluation reserve		-	55,664

b. Auditor's remuneration

	2017	2016
	£	£
Fees payable to the Group's auditor for the audit of the consolidated financial statements	26,675	23,120
Fees payable to the Group auditor for other services:		
- audit of subsidiaries pursuant to legislation	5,000	5,000
- tax compliance services	4,851	3,250
	36,526	31,370

5. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2017 or for the year ended 31 December 2016.

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:

	2017	2016
	£	£
Loss on ordinary activities before income tax	(1,039,566)	(633,229)
Tax thereon at a UK corporation tax rate of 19.25% (2016 - 20%)	(200,116)	(126,646)
Effects of:		
Expenses not deductible for tax purposes	77,213	30,740
Tax losses not recognised	95,693	80,166
Losses of overseas subsidiaries carried forward	27,210	15,740
	-	-

The main rate of UK corporation tax during the year ended 31 December 2017 was 19.25 per cent (2016: 20 per cent). The Group has estimated UK losses of £10,206,937 (2016: £9,709,834) and foreign losses of £870,263 (2016: £581,034) available to carry forward against future trading profits. The value of unrecognised deferred tax assets in respect of the UK losses amounts to £1,964,835 (2016: £1,941,967). 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 2017 was based on the loss attributable to ordinary shareholders of £1,038,248 (2016: £632,125) and a weighted average number of Ordinary Shares outstanding during the period ended 31 December 2017 of 518,728,856 (2016: 472,525,290) calculated as follows:

	2017	2016
	£	£
Loss attributable to ordinary shareholders	(1,038,248)	(632,125)
Weighted average number of ordinary shares	**Number**	**Number**
Number of shares in issue at the beginning of the year	502,630,331	430,313,824
Effect of shares issued during year	16,098,525	42,211,466
Weighted average number of ordinary shares in issue for the year	518,728,856	472,525,290

As detailed in note 21, the Company issued 2.1 million shares post year end, these shares would have an anti-dilutive effect. There is no difference between the diluted and non-diluted loss per share. Details of the share options that could potentially be dilutive in future periods are set out in note 15. For the year ended 31 December 2017, the effect of the dilution is to reduce the loss per share, the diluted loss per share is considered to be the same as the basic loss per share.

Notes to the Consolidated Financial Statements

7. INTANGIBLE ASSETS - Group

	Exploration Costs £
COST	
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
At 1 January 2017	7,186,576
Additions for the year	1,077,815
Foreign exchange movements	109,972
Impairment	(183,131)
At 31 December 2017	8,191,232
NET BOOK VALUE	
At 31 December 2017	8,191,232
At 31 December 2016	7,186,576

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

	2017 £	2016 £
Kallak	6,979,844	6,438,283
Nautijaur	-	24,912
Åtvidaberg	253,778	153,927
Ågåsjiegge	7,365	7,257
Sala	2,634	2,372
Haapamäki	231,132	141,944
Kolari1	151,706	99,554
Piippumäki	-	119,087
Viistola	147,784	107,36
Pitkäjärvi	414,372	91,871
Joutsijärvi	2,617	-
	8,191,232	7,186,576

Total Group exploration costs of £8,191,232 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 £156,382 was recorded against the projects for services provided by the Directors during the year.

During the year an impairment provision was recognised totalling £183,131 (2016: £Nil).

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.

In accordance with its accounting policies and processes, each asset is evaluated annually at 31 December, to determine whether there are any indications impairment exist, the board considers the indications as outlined in IFRS 6.

The most significant risk is that an exploitation concession is declined for Kallak North. The board has considered the impairment indicators as outlined in the Company's accounting policies and having done so is of the opinion that the current situation does not qualify as an impairment indicator and hence no impairment provision is required for this permit.

Additional consideration was given to the decision by the County Administrative Board ("CAB") on the 30 November 2017 to not recommend that an exploitation concession be awarded to the Company. It should be noted that the CAB does not have the final decision, that rests with the Government. The CAB's decision included information not based on fact, flawed analysis, and biased conclusions that contradicted its previous representations provided in July 2015. The key biases include;

- Operating outside their mandate with respect to assessing transport matters at this stage of permitting and suggesting the need for State investment should Kallak be built. The Company has never stated that State support would be needed. The CAB ignored infrastructure projects that are already under consideration e.g. Inlandsbanan Railway, the Ore Railway and the Port of Luleå, all of which will bring additional capacity to regional infrastructure, which could be utilised by Kallak.
- Disregarding Kallak's designation as an Area of National Interest (ANI") awarded by the SGU in February 2013.
- Disregarding the strong economic case, that would have local, regional and national benefits, that the CAB presented in July 2015.

The Directors therefore consider that the decision of the CAB is not an impairment indicator as the comments and findings of the CAB represent a recommendation to Government that should have limited to no persuasive impact due to the inaccuracies, flawed analysis and conclusions the CAB has presented.

Post year end, the Company's application is now with the Government. The Company, and other interested parties, were invited to provide comments on the CAB's statement, which the Company submitted on 2 February 2018. At the date of approval of the financial statements the Government's consideration of the application was ongoing.

In the year an impairment provision of £183,131 (2016: £Nil) was made against costs incurred on Pippumäki (£155,510) and Nautijaur (£27,621) on the basis that no further exploration would be carried out on those projects. The impairment is charged as an expense and included within the consolidated income statement.

Notes to the Consolidated Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT

	Group £	Company £
COST		
At 1 January 2016	52,995	5,521
Additions	862	862
Foreign exchange movements	5,326	-
At 31 December 2016	59,183	6,383
At 1 January 2017	59,183	6,383
Additions	20,367	-
Foreign exchange movements	1,044	-
At 31 December 2017	80,594	6,383
DEPRECIATION		
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
At 1 January 2017	35,672	6,244
Charge for year	15,890	139
Foreign exchange movements	452	-
At 31 December 2017	52,014	6,383
NET BOOK VALUE		
At 31 December 2017	28,580	-
At 31 December 2016	23,511	139

9. INVESTMENTS

	Shares in Group Undertakings
	£
COST OR VALUATION	
At 1 January 2016	4,909
Acquisitions	340,106
At 31 December 2016	345,015
At 1 January 2017	345,015
Acquisitions	134,296
At 31 December 2017	479,311

The investment represents 100 per cent of the share capital of Fennoscandian, that was acquired during the year ended 31 December 2016 and holds a portfolio of four early-stage graphite exploration projects. At the time of acquisition, Beowulf paid for 100 per cent of the share capital of Fennoscandian by issuing 2.55 million ordinary shares in the Company, with two further tranches of 2.1 million ordinary shares to be issued on achievement of certain performance milestones.

The first tranche of ordinary shares is due to 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 consideration recognised in the financial statements as at 31 December 2017 is £480,764, (2016: £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 2017, £134,216 (31 December 16: £130,907) has been recognised under intangibles.

Notes to the Consolidated Financial Statements

Name	Incorporated	Activity	2017 % holding	2016 % holding
Oy Fennoscandian Resources AB	Finland	Mineral exploration	100%	100%
Jokkmokk Iron Mines AB	Sweden	Mineral exploration	100%	100%
Beowulf Mining Sweden AB[1]	Sweden	Mineral exploration	100%	100%
Wayland Copper Limited	UK	Holding company	65.25%	65.25%
Wayland Sweden AB	Sweden	Mineral exploration	[2][3]65.25%	[2][3]65.25%

The Group consists of the following subsidiary undertakings:

Name	Registered office
Oy Fennoscandian Resources AB	Plåtslagarevägen 35 A 1, 20320 Turku, Finland
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

[1] Previously Norrbotten Mining AB

[2] Indirectly held

[3] Effective interest

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

10. LOANS AND OTHER FINANCIAL ASSETS

Group	Financial fixed Assets £
At 1 January 2016	51,938
Disposals in the year	(50,444)
Foreign exchange movements	4,009
At 31 December 2016	5,503
At 1 January 2017	5,503
Foreign exchange movements	41
Disposals	(14)
At 31 December 2017	5,530

Company	Loans to group undertakings £	Financial assets £	Totals £
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
At 1 January 2017	7,803,139	2,784	7,805,923
Advances made in the year	1,147,702	-	1,147,702
At 31 December 2017	8,950,841	2,784	8,953,625

Further details of the transactions in the year are shown within related parties disclosure note 20.

Notes to the Consolidated Financial Statements

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Other receivables	22,189	237	-	237
VAT	15,006	22,447	12,264	14,408
Prepayments and accrued income	27,837	29,082	27,837	20,013
	65,032	51,766	40,101	34,658

Included in other receivables is a deposit of £19,017 held by Finnish regulatory authorities.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank accounts	1,589,897	1,609,219	1,508,321	1,567,770
	1,589,897	1,609,219	1,508,321	1,567,770

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:

	2017	2016
	£	£
Administrative expenses	(3,793)	(3,178)
Loss after tax	(3,793)	(3,178)
Loss allocated to NCI	(1,318)	(1,104)
Other comprehensive income allocated to NCI	40	972
Total comprehensive loss allocated to NCI	(1,278)	(132)
Current assets	8,922	10,687
Current liabilities	(468,982)	(467,069)
Net (liabilities)	(460,060)	(456,382)
NCI at 34.75 per cent	(159,871)	(158,593)

14. SHARE CAPITAL

	2017 Number	2017 £	2016 Number	2016 £
Allotted, called up and fully paid				
At 1 January	502,630,331	5,026,302	430,313,824	4,303,138
Issued for cash	23,076,923	230,770	66,829,007	668,289
Issued in settlement of expenses	-	-	2,937,500	29,375
Issued in option exercise	8,500,000	85,000	-	-
Issued for acquisition of subsidiary	-	-	2,550,000	25,500
At 31 December	534,207,254	5,342,072	502,630,331	5,026,302

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 2017

On 17 October 2017, the Company announced that Bevan Metcalf a Director, had been issued 8,500,000, as a result of the exercise of options.

On 17 May 2017, the Company announced a subscription to raise £1.5m (before expenses) through the issue of 23,076,923 new ordinary shares of 6.5 pence each.

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 £1million (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.

Notes to the Consolidated Financial Statements

15. SHARE-BASED PAYMENTS

During the year ended 31 December 2017, 4,500,000 options were granted (2016: Nil). The options outstanding as at 31 December 2017 have an exercise price in the range of 4.00 pence to 12.00 pence (2016: 1.66 pence to 4.00 pence) and a weighted average remaining contractual life of three years (2016: 3.5 years).

The equity-settled share-based payments expense for the options for the year ended 31 December 2017 was £203,059 (2016: £40,109).

The fair value of services received during 2017 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	8.73p
Share price	14.38p
Exercise price	12.00p
Expected volatility	70%
Option life	5 years
Risk free interest rate	0.25%

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.

The cost of shares issued as part of the acquisition of Fennoscandian, has been calculated using a Black-Scholes pricing model. The inputs of this model are outlined in note 9.

Reconciliation of options in issue	**Number**	**Weighted average exercise price (£'s)**
Outstanding at 1 January 17	18,000,000	0.018
Granted during the year	4,500,000	0.120
Exercised during the year	(8,500,000)	0.016
Outstanding at 31 December 17	14,000,000	0.051
Exercisable at 31 December 17	9,500,000	0.018

No warrants were granted during the year (2016: Nil).

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 above par value.
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 where the transaction qualifies for merger relief under the Companies Act 2006.
Accumulated losses	Accumulated losses comprise the Group's cumulative accounting profits and losses since inception.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Current:				
Trade payables	165,775	142,329	53,263	64,933
Amounts owed to participating interests	-	9,658	-	-
Social security and other taxes	4,321	10,089	6,393	8,786
Other payables	7,614	8,319	1,725	933
Accruals and deferred income	96,667	43,657	61,899	31,380
	274,377	214,052	123,280	106,032

Notes to the Consolidated Financial Statements

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 2017				
Financial assets				
Cash and cash equivalents	1,589,897	1,589,897	1,508,321	1,508,321
Trade and other receivables	22,189	22,189	-	-
Loans to group undertakings	-	-	8,950,841	8,950,841
Other financial assets	5,530	5,530	2,784	2,784
	1,617,616	1,617,616	10,461,946	10,461,946
Financial liabilities				
Trade and other payables	270,056	270,056	116,887	116,887

	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	237	237	237	237
Loans to group undertakings	-	-	7,803,139	7,803,139
Other financial assets	5,503	5,503	2,784	2,784
	1,614,959	1,614,959	9,373,930	9,373,930
Financial liabilities				
Trade and other payables	203,941	203,941	97,245	97,245

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 (liabilities)/assets	**2017** £	**2016** £	**2017** £	**2017** £
Swedish Krona	(9,784)	752,879	24,636	811,254
Euro	19,543	4,494	15,476	(17,667)
Total net exposure	9,759	757,373	40,112	793,587

Sensitivity analysis

A 10 per cent strengthening of sterling against the Swedish Krona at 31 December 2017 would have increased/(decreased) equity and profit or loss by the amounts shown below:

Group

	Profit or loss		Equity	
	2017 £	**2016** £	**2017** £	**2016** £
Swedish Krona	978	(75,288)	978	(75,288)
Euro	(1,954)	(449)	(1,954)	(449)
Total	(976)	(75,737)	(976)	(75,737)

Notes to the Consolidated Financial Statements

Company

	Profit or loss		Equity	
	2017	2016	2017	2016
	£	£	£	£
Swedish Krona	(2,464)	(81,125)	(2,464)	(81,125)
Euro	(1,548)	1,767	(1,548)	1,767
Total	(4,012)	(79,358)	(4,012)	(79,358)

A 10 per cent weakening of sterling against the foreign currencies at 31 December 2017 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 a Standard & Poor's, BBB- rating as a minimum.

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.

The amounts used by the subsidiaries are as follows:

	2017	2016
	£	£
Jokkmokk Iron Mines AB	8,006,577	7,400,249
Beowulf Sweden AB	243,535	162,965
Wayland Copper Ltd	-	2,300
Oy Fennoscandian Resources AB	700,728	237,625
	8,950,840	7,803,139

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 of the accounts on a going concern basis is detailed in the Report of the Directors.

d) Capital Management

The Groups capital structure consists of issued capital and reserves, accumulated losses and non-controlling interest. 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.

Net debt

Group	2017	2016
	£	£
Cash and cash equivalents	1,589,897	1,609,219
Trade payables	(274,377)	(214,052)
Net cash / (debt)	1,315,520	1,395,167
Total equity	10,858,078	9,647,473
Net cash to equity ratio	12.12%	14.46%

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.

2017	Sweden	Finland	UK	Total
	£	£	£	£
Licence and Exploration	7,243,622	947,610	-	8,191,232
Other non-current assets	15,745	15,581	2,784	34,110
Current assets	47,978	57,639	1,549,312	1,654,929
Liabilities	(83,286)	(67,961)	(123,130)	(274,377)
Expenses	(136,073)	(188,409)	(720,318)	(1,044,800)
Loss for the year	(136,073)	(188,409)	(715,084)	(1,039,566)
Other comprehensive income	91,353	(23,493)	-	67,860

Notes to the Consolidated Financial Statements

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

20. RELATED PARTY DISCLOSURES

Transactions with subsidiaries

During the year, cash advances of £369,390 (2016: £233,079) were made to Jokkmokk Iron Mines AB and incurred costs of £236,938 that were paid on behalf by the Company (2016: £101,853). 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 £8,006,577 (2016: £7,400,249).

Beowulf Sweden AB received cash advances of £13,192 (2016: £74,699) and incurred costs of £67,379 (2016: £88,266) 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 £243,535 (2016: £162,965).

In the year ended 31 December 2017, cash advances of £Nil (2016: £2,300) 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.

OY Fennoscandian AB received cash advances of £433,181 (2016: £196,975) and incurred costs of £29,923 (£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 £700,728.

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:

	2017 £	2016 £
Short-term employee benefits (including employers' national insurance contributions)	362,985	300,866
Post-retirement benefits	26,782	15,884
Share based payments	337,275	334,216
Insurance	300	-
	727,342	650,966

Mr Rasmus Blomqvist, who currently acts as Exploration Manager incurred a share-based payment charge of £134,216 (2016: £294,107) as a result of the fair valuing of shares to be issued in respect of the acquisition of Fennoscandian.

Mr Blomqvist incurred a separate charge of £81,335, with respect to the 2,000,000 options granted during the year (2016: Nil).

Mr Bevan Metcalf, a Director who served during the year until his resignation, made a gain of £378,450 on options he exercised on 10 October 2017. The options exercised were issued in July 2015 and had an exercise price of 1.66p.

Mr Rasmus Blomqvist is the Managing Director of Oy Fennoscandian Investment Group AB ('FIG'), which during the year, the Company paid £16,775, in accordance with a memorandum of understanding between FIG and the Company, that the Company would have the right of first refusal to develop several assets under investigation by FIG.

Mr Budge, a Director who served during the year had no amounts outstanding in relation to reimbursement, (2016: £1,813).

21. EVENTS AFTER THE REPORTING DATE

On 22 February 2018, 2.1 million ordinary shares of 1.0 pence were issued to Rasmus Blomqvist, the Company's Exploration Manager, as a first tranche of deferred consideration pursuant to the acquisition of Oy Fennoscandian Resources AB. The second and final tranche of 2.1 million ordinary shares of 1.0 pence will be issued subject to competition of a bankable feasibility study on one of the graphite projects in the Fennoscandian portfolio.

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Mr K R Budge
Mr G Farm

Secretary
Mr L O'Donoghue

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