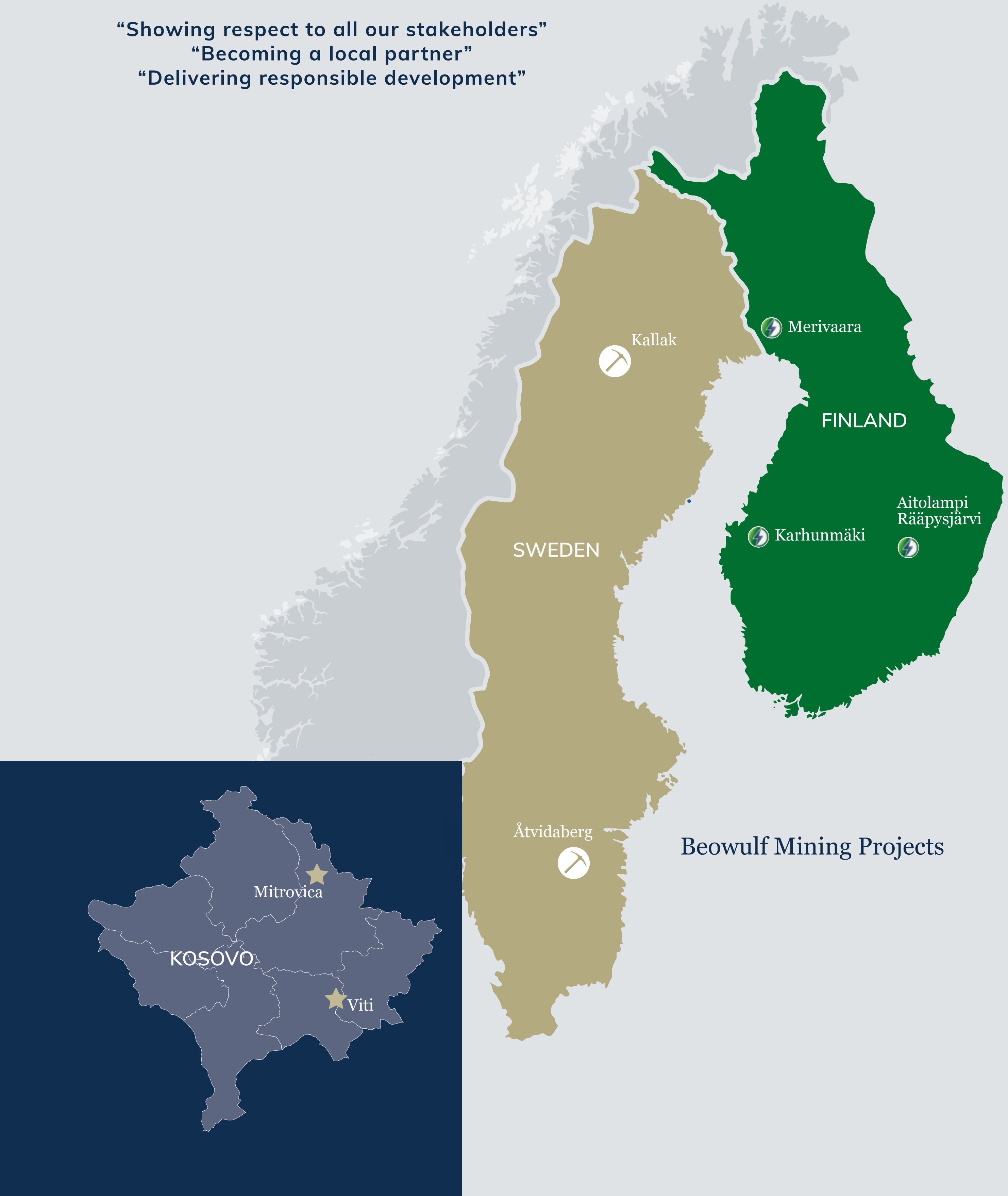
Annual Report 2020

BEOWULF MINING plc

"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"



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Company Profile

Beowulf Mining plc ("Beowulf" or the "Company") is listed on the AIM Market of the London Stock Exchange ("AIM") (Ticker: BEM) and Stockholm's Spotlight Exchange (Ticker: BEO).

During the COVID-19 pandemic year, the Company has been relatively unaffected. Exploration activities in Kosovo, in rural areas and with few personnel, were able to continue employing COVID-19 health and safety protocols. Where uncertainty prevailed such as for drilling at Kallak, the planned work was postponed to 2021. Staff and employees are used to working remotely from one another, so it was very much a case of business as usual and from a corporate perspective, market appetite and sentiment for the mining sector were such that the Company successfully completed a major capital raising.

The Company's asset portfolio is diversified by commodity, geography and the development stage of its various projects and features metals in demand.

At the signing date of this report the Company has a 48.4 per cent interest in Vardar Minerals Ltd ("Vardar"). Vardar is a UK registered exploration company with a focus on the mineral endowed Balkan region. In 2019, the Company obtained control of Vardar and, as such, the Vardar Group is consolidated into the Company and subject to the same financial controls and scrutiny.

PORTFOLIO OF ASSETS IN

KOSOVO

48.4% stake in Vardar Minerals Ltd

FINLAND

100% owned Fennoscandian Resources

SWEDEN

RESOURCES

Aitolampi
(C)

Kallak
(Fe)

EXPLORATION PERMITS

Mitrovica
(Pb, Zn, Cu, Ag, Au)

Viti
(Cu, Au, Li)

Rääpysjärvi
(C)

Karhunmäki
(C)

Merivaara
(Au, Ag, Cu, Ni, Co)

Åtvidaberg
(Pb, Zn, Cu, Ag)

Vardar has two exploration licences in Kosovo, Mitrovica and Viti, located in the Tethyan Belt, a major orogenic metallogenic province for gold and base metals which extends from the Alps (Carpathians/Balkans) to Turkey, Iran and Indochina, and contains several world class discoveries.

The Tethyan Belt of south-east Europe can be regarded as Europe's chief copper-gold (lead-zinc-silver) province and Vardar's licences are highly prospective for base and precious metals, with exploration results to date indicating porphyry style mineralisation.

Through its 100 per cent owned subsidiary Oy Fennoscandian Resources AB ("Fennoscandian"), the Company has a portfolio of graphite exploration prospects in Finland. The Mineral Resource Estimate ("MRE") for the Aitolampi project, has a global Indicated and Inferred Mineral Resource of 26.7 million tonnes ("Mt") at 4.8 per cent Total Graphitic Carbon ("TGC") for 1,275,000 tonnes of contained graphite, reported in accordance with the JORC Code, 2012 edition.

Fennoscandian is pursuing a strategy to develop a resource and production base of graphite that can provide security of supply and contribute to Finland's ambitions of achieving battery manufacturing self-sufficiency, focusing on both natural flake graphite production and a Circular Economy/recycling strategy to produce high-value graphite products. The Company is also developing its knowledge in processing and manufacturing value-added graphite products, including anode material for lithium-ion batteries.

The Company's most advanced project is the Kallak iron ore deposit located approximately 40 kilometres ("km") west of Jokkmokk in the County of Norrbotten, Northern Sweden, 80 km southwest of the major iron ore mining centre of Malmberget, and approximately 120 km to the southwest of LKAB's Kiruna iron ore mine.

The first exploration licence for Kallak was awarded by the Mining Inspectorate of Sweden in 2006. A MRE for Kallak North and South, based on drilling conducted between 2010-2014, a total of 131 holes and 27,895 metres ("m") was finalised on 28 November 2014.

Following the guidelines of the JORC Code, 2012 edition, an Indicated Resource of 118.5 Mt at 27.5 per cent iron content and Inferred Resource of 33.8 Mt at 26.2 per cent iron was defined. Also, there is an additional exploration target of 90-100 Mt at 22-30 per cent iron.

On 17 September 2020, the Company published the market leading potential of Kallak's magnetite concentrate following an assessment by Dr. Arvidson MSc Mining/Mineral Processing, PhD Mineral Processing (equivalent), Royal Institute of Technology, Stockholm, as Qualified Person, the highlights of which can be summarised as follows:

- test work on Kallak ore has produced an exceptionally high-grade magnetite concentrate at 71.5 per cent iron content with minimal detrimental components;
- this would make Kallak the market leading high-grade product among known current and planned future producers; and
- the next best magnetite product is LKAB's (the state-owned Swedish iron ore company), which produces magnetite fines ("MAF") with a target specification of 70.7 per cent iron and is regarded as unique, until now, due to its exceptionally high iron content.

Kallak is excellently positioned as a secure and sustainable future supplier of high-quality iron ore to Sweden's growing fossil-free steel making sector.

In April 2013, the Company applied for an Exploitation Concession for Kallak North (the "Concession") and in October 2015, the Mining Inspectorate recommended to the Swedish Government that the Concession be awarded. The Company is still waiting on the Swedish Government to take a decision.

In southern Sweden, the Company has its Åtvidaberg nr 1 ("Åtvidaberg") exploration licence, which is prospective for polymetallic discoveries, mainly copper and zinc.

The Company's approach is to develop mining projects working in partnership with local communities and stakeholders, and is encapsulated in the following mission statements:

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

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

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

Company Strategy

Delivering on the Company's Purpose

Our purpose is to be a responsible and innovative company that creates value for our shareholders, wider society and the environment, through sustainably producing critical raw materials needed for the transition to a Green Economy and to address the Climate Emergency.

The Company's asset portfolio is diversified by commodity, geography and the development stage of its various projects and features metals in demand.

The Company is in a strong financial position. Its 2021 work programmes are fully funded and the recent Capital Raising, completed in December 2020, demonstrates support from Nordic investors gained through our Swedish listing.

The investment in Vardar gives the Company exploration exposure in the Tethyan Belt, an area which has seen both significant discoveries and M&A activity.

Vardar's licences are highly prospective for base and precious metals and Kosovo has the potential to be a new supplier of metals that are in increasing demand for the Green Transition. Vardar's projects are ideally located, as Europe needs shorter supply chains to reduce the carbon footprint of metals it consumes, for electric vehicles and green infrastructure.

Fennoscandian is pursuing a strategy to develop a resource and production base of graphite that can provide security of supply and contribute to Finland's ambitions of achieving battery manufacturing self-sufficiency, focusing on both natural flake graphite production and a Circular Economy/recycling strategy to produce high-value graphite products. The Company is a recipient of Business Finland funding, which is supporting Fennoscandian to move downstream, and develop its knowledge in processing and manufacturing value-added graphite products.

With Kallak, Beowulf is focused on the award of an Exploitation Concession for Kallak North, and thereafter completing a Scoping Study on the project. Significant investments are being made in fossil-free steel making in Norrbotten, and Kallak is excellently positioned as a secure and sustainable future supplier of high-quality iron ore.

It remains the Directors' view that the Company's application for an Exploitation Concession fully meets the requirements of the prescribed process, and that it has done so since the Mining Inspectorate recommended to the Government, in October 2015, that the Concession be awarded.

In Sweden, the acknowledged direction of travel is that more mining is needed to produce the metals to facilitate the transition to a Green Economy and the electrification of society to address the Climate Emergency. It would seem illogical to consider that given this context the Concession, which has been in development for almost 15 years since the first exploration permit was awarded, is not granted, despite the inordinate time the Company has had to wait for a decision.

Chairman’s Statement

Dear Shareholders

Beowulf closed 2020 with a fully subscribed Capital Raising. The Company achieved its target of SEK 83 million, with strong support from Nordic investors who provided approximately 80 per cent of the total funds.

Despite exploration activity being limited during the year, Vardar made excellent progress in Kosovo, with geophysics results delivering a plethora of exploration targets.

Fennoscandian has widened its focus to a broader/ Circular Economy strategy, to add to its developing resource/production base of natural flake graphite in Finland.

Progress with Kallak was limited, as the Government’s attention was rightly diverted to the pandemic. The big news was the criticism of the Government’s handling of the Kallak application by the Constitutional Committee (“KU”), which was slightly preceded in late October, with the Government deciding to consult UNESCO on the Company’s application. A response is still awaited from UNESCO.

Vardar

Vardar gives Beowulf strategic investment exposure to the highly prospective Tethyan Belt. During 2020, the Company invested a further £380,000 funding geophysics programmes at Mitrovica and Viti, taking the Company's ownership to approximately 46.1 per cent at year end.

In February 2021, the Company invested an additional £200,000 to fund preparatory works in advance of drilling this year. Post year end, the Company owns approximately 48.4 per cent of Vardar.

In Summer 2020, assay results were announced from soil and grab samples across Majdan Peak at Mitrovica. An extensive gold in soil anomaly was defined embracing an area approximately 1400 m x 700 m, correlating with mapped hydrothermal alteration. Furthermore, a new lead-zinc-copper-gold target was identified to the south of Majdan Peak; of significance given its proximity to the Stan Terg mine.

Towards the end of the year, the Company published a sequence of announcements with results from Induced Polarisation ("IP") - resistivity ground surveys, coupled with 'state-of-the-art' high-resolution airborne magnetic drone surveys for lead-zinc targets at Wolf Mountain and gold at Majdan Peak in Mitrovica, and copper-gold at Viti. The results of the IP surveys were extremely positive which defined numerous targets for drill testing.

At Wolf Mountain, IP chargeability zones were defined beneath areas of laterally extensive lead-zinc gossans and hydrothermal alteration. Established regional structural trends suggests they may be representative of high-grade lead-zinc-silver feeder structures.

At Majdan Peak, highly anomalous IP chargeability targets were defined beneath an area of mapped hydrothermal alteration correlating with the significant gold in soils anomaly. Importantly, the IP anomalies demonstrate depth extent suggesting that the mapped surficial gold mineralisation is related to a potentially large underlying source.

At Viti, chargeability anomalies associated with an extensive north-northwest trending zone of alteration and anomalous multi-element soil sample and rock grab sample results were defined, situated near to gold and copper mineralisation, associated with altered porphyritic trachyte dykes, intersected by stratigraphic drilling in 2019.

With these results, the correlation of the IP anomalies with anomalous metals in soils and mapped alteration, the potential grows for discovering lead-zinc and gold deposits and defining much larger mineralised systems at both Mitrovica and Viti. There is no shortage of high priority targets for drill testing in 2021.

FENNOSCANDIAN
RESOURCES

Fennoscandian

Fennoscandian is developing a resource and production base of graphite that can provide security of supply and contribute to Finland's ambitions of achieving self-sufficiency in lithium-ion battery manufacturing, focusing on both natural flake graphite production and a Circular Economy/recycling strategy to produce high-value graphite products.

Since Fennoscandian was acquired in January 2016, Beowulf has invested over €2.2 million in graphite exploration, resource development, metallurgical testwork and the assessment of market applications for graphite from Aitolampi, including lithium-ion battery applications.

Fennoscandian has recently signed a Memorandum of Understanding ("MoU") with Epsilon Advance Materials Limited ("EAMPL"). The MoU enables Fennoscandian to build its downstream capability, collaborating with a strong and innovative technology/processing partner, and for EAMPL to firmly establish itself in Finland, as a market-entry point for supplying pre-cursor anode material into Europe. The MoU addresses the development of a strategic processing hub for both natural flake and recycled graphite to be located in Finland.

In addition, a Scoping Study contract for the Aitolampi graphite project has been awarded to AFRY Finland Oy. The purpose of the Scoping Study is to verify the robustness of the work completed by Fennoscandian, and to provide a roadmap for the next project development stage, most likely a Pre-feasibility Study. The output of the Scoping Study will enable Fennoscandian to share information on the Aitolampi project and communicate with the local community and other important stakeholders.

KALLAK

2020 was another frustrating year, with no evidence of any progress being made with the Company's Kallak application. Beowulf continued to engage with the Swedish Government, but COVID-19 diverted its attention to fighting the pandemic.

The Constitutional Committee ("KU"), which has been reviewing the Government's handling of the Kallak application met 26 November 2020 and made the following statement (translation):

"KU has examined the application for a processing concession for Kallak. In the Government case, no visible administrative measures were implemented for almost three years. This means a delay that is not acceptable, according to KU.

"It also appears that the applicant has on several occasions asked the Ministry of Trade and Industry for a meeting. The Ministry has then stated that this is not possible because the issue concerns a forthcoming Government decision and is a matter under consideration.

"KU notes that the Ministry management's statement does not seem to be in line with what the Prime Minister has stated. The Government Offices thus seem to lack a common approach to the possibility for parties in administrative matters to have a meeting with the responsible ministry."

A month prior to the KU's statement, the Government consulted with UNESCO on the Company's application. While the KU's statement will have no bearing on the final decision, the Company believes that once comments are received back from UNESCO a decision will be 'forthcoming', language used by the Minister in September 2019. The Company has been in communication with UNESCO regarding its review of Kallak.

Since the KU statement last November, political parties outside of Government are taking a greater interest in the case and, with the support of our advisers, we continue to inform and educate on the facts about Kallak and dispel the perceptions that exist.

Drilling planned for 2020 as part of the European Union ("EU") funded PACIFIC Project ("PACIFIC") was delayed until this year. The work programme will determine if a 3D seismic model can be constructed, using the established seismic characteristics of the Kallak deposit, and whether the 3D model can be used to identify additional iron ore mineralisation for the Exploration Target at Kallak South and further south, following the magnetic signature of mineralisation which extends into the Company's Parkijaure nr 6 exploration licence.

There is clear potential for the mine life at Kallak to be much greater than the 14-years included in the Kallak North application. As can be seen with LKAB's operations at Kiruna, which have lasted over a century, new resources are typically identified after a mine is opened which support further investment and jobs over decades. Mines in the north of Sweden operate in this way and are very much part of the fabric of society.

Shareholder Base

At 31 December 2020, there were 592,321,687 Swedish Depository Receipts representing 71.52 per cent of the issued share capital of the Company. The remaining issued share capital of the Company is held in the UK.

Raising Finance

Maintaining sufficient funding to sustain the business is a significant challenge for an exploration and development company in the natural resources sector.

The Company announced, on 13 August 2020, that it had secured bridge loan financing in Sweden of SEK 12 million (approximately £1.0 million) from Nordic investors. Since 2014, this has been the only divergence from equity capital markets fundraising. The bridging loan demonstrated the availability of alternative financing to the Company and good support from a group of Nordic investors, who went on to underwrite the SDR offer and buy shares via a Private Placement/Directed Issue in last year's Capital Raising.

The Company announced details of the Capital Raising, on 6 November 2020 and that it would conduct an Open Offer of up to 225,841,752 new Ordinary Shares to Qualifying Shareholders at 3.16 pence per Share (the "Offer Price") on a pre-emptive basis to raise up to approximately £7.3 million (gross) (the "Open Offer").

On 21 December 2020, the Company closed a fully subscribed Capital Raising of approximately £7.4 million before expenses (approx. SEK 83 million).

The Board continues to adopt the going concern basis to the preparation of the financial statements. The going concern assumption has been assessed by the Directors in light of the impact of COVID-19, taking into consideration the current financial position, ability to carry out its operations for the year and raise new funds. The Directors are confident that there is no immediate need for funding following the success of the Capital Raising.

2020 Financial Performance

For the year, the consolidated loss increased from £428,707 in 2019 to £1,294,691. This increase was attributable to three main factors:

1. As a subsidiary, no fair value gain on investments in Vardar was accounted for, as compared to a prior year fair value gain of £563,431.
2. In relation to the Bridging Loan, there was a finance charge of £203,321; and
3. A higher impairment charge on Ågåsjiegge, Joutsijärvi, Polvela and Tammijärvi (£98,799) compared to the impairment charge in the prior year on Sala (£10,270).

Administration expenses increased in the year from £904,667 to £1,005,547, due mostly to more corporate time being devoted to the Capital Raising and less time being spent on projects. This resulted in a lower level of underlying exploration cost being capitalised.

Consolidated basic and diluted loss per share for the 12 months ended 31 December 2020 was 0.19 pence (2019: loss of 0.04 pence).

£4,329,414 in cash was held at the year-end (2019: £1,124,062).

At 31 December 2020 trade and other receivables of the Group included an amount of £1,392,081 relating to proceeds received in early January 2021 from issues of shares before the year end (2019: £nil).

The translation reserve losses attributable to the owners of the parent decreased from £1,291,068 at 31 December 2019 to £457,813 at 31 December 2020. Much of the Company's exploration costs are in Swedish Krona which has strengthened against the pound since 31 December 2019.

Corporate

On 10 November 2020, the Company announced that Göran Färm was stepping down from the Board and as Non-Executive Chairman, and I joined Beowulf as a Non-Executive Chairman and a Director of the Company.

Staff and Employees

On behalf of the Board, and especially given the pandemic, I would like to express my sincere thanks to our staff, employees and consultants in Sweden and Finland, and also to the staff, employees and consultants of Vardar, for their significant efforts throughout the past 12 months to drive our Company forwards.

ESG

Beowulf is a strong supporter of the Sustainable Development Goals ("SDGs") and is currently reviewing how the Company can best proactively support their implementation in our regions of operation.

The Company has adopted the following Disclosure Topics listed by the Sustainability Accounting Standards Board for the Metals and Mining sector (https://www.sasb.org/standards/) as material to the Company's stakeholders:

- Energy Management including Green House Gas Emissions;
- Water Management;
- Biodiversity Impacts;
- Rights of Indigenous Peoples;
- Community Relations; and
- Business Ethics and Transparency.

As at this time Beowulf has no active mining operations, these Disclosure Topics will be integrated into the Company's policies, corporate strategy, project development plans and management systems.

As the Company moves forward with its ESG agenda, it will be transparent in its communications, the progress it is making, and sustainability results.

Outlook

We are at a tipping point where global issues are converging to drive demand for primary raw materials. Metals are critical to achieving the transition to a Green Economy to address the Climate Emergency; transparent, secure, and sustainable supply chains need to be established; and Governments are considering how to power economic growth in a post-pandemic recovery.

Sustainability leadership is renewing the role of business in society and its unique ability to solve society's problems and scale-up solutions. When it comes to the Climate Emergency, all of us are in this together, we each need to do things differently, to play our part and not leave it to others to fix the problem.

Beowulf's purpose to be a responsible and innovative company that creates value for our shareholders, wider society and the environment, through sustainably producing critical raw materials, which includes iron ore, graphite and base metals, needed for the transition to a Green Economy and to address the Climate Emergency.

Vardar is developing prospects that could deliver new metal supply to Europe.

Fennoscandian is well-positioned in the Finnish battery ecosystem as a potential future supplier of anode material for lithium-ion batteries.

Kallak is ideally situated as a secure and sustainable supply of high-quality iron ore to the growing fossil-free steel making sector powered by renewables in Sweden. Kallak can produce a market leading concentrate of 71.5 per cent iron content.

We have started this year financially strong, with a renewed sense of purpose. We have an attractive portfolio of projects to explore and develop and we have big ambitions. The Climate Emergency has our attention and is focusing our minds on what we need to do. It very much feels like it is Beowulf's time to step-up, respond to challenges facing all of us and make a positive difference. It will be an exciting year for the Company.

Sven Otto Littorin
Non-Executive Chairman
14 May 2021

Review of Operations and Activities

Vardar

Vardar provides Beowulf with investment exposure to the highly prospective Tethyan Belt. During 2020, the Company invested £380,000, funding geophysics programmes at Mitrovica and Viti. More recently, in February 2021, the Company invested a further £200,000 to fund preparatory works in advance of drilling this year. At the date of sign-off of this report, the Company owns approximately 48.4 per cent of Vardar.

Beowulf's investments and increasing ownership in Vardar are testament to the Company's confidence in the progress being made by the Vardar team, exploration results and the potential shown for a mineral deposit(s) discovery at Mitrovica and Viti.

At Mitrovica, located near to the world class Stan Terg lead-zinc-silver mine, potential not only exists for the discovery of additional lead-zinc-silver deposits, but also for the discovery of high-level epithermal gold deposits and for copper-zinc deposits.

It is simplistic to think of the targets at Mitrovica, which occur along a seven kilometres trend, in isolation. However, Vardar believes the targets are all related to a potentially much larger porphyry style mineralised system, based on meticulous geological mapping of hydrothermal alteration and interpretation of trench, drill and soil geochemical and geophysical exploration data.

At Viti, stratigraphic holes in 2019, intersected the correct alteration type, returning gold and visible copper mineralisation, that indicates potential for the discovery of a mineralised copper-gold porphyry in a hitherto unexplored area.

Kosovan Exploration Permits

Vardar has a rolling programme of exploration permit applications and renewals.

As original permits were awarded around the same time, all renewals have become due around the same time. Vardar's renewal applications have also coincided with a changeover in personnel on the board of The Independent Commission for Mines and Minerals ("ICMM"), the permitting authority in Kosovo. The ratification of a new board has been delayed because of parliamentary elections, which took place in February 2021. It is hoped that the new board will soon be confirmed.

Name	Licence no.	Area (hectares)	Notes
Mitrovica (2231)	2231	2,713.51	Renewal application accepted, awaiting final approval by ICMM board.
Mitrovica (2541)	2541	130.20	Renewal application accepted, awaiting final approval by ICMM board.
Viti North (2230)	2230	3,546.74	Renewal application accepted, awaiting final approval by ICMM board.
Viti West (2345)	2345	5,207.78	Renewal application accepted, awaiting final approval by ICMM board.
Viti SE	(2344) 2344	8,829.91	Renewal application accepted, awaiting final approval by ICMM board.

Exploration Overview

The Mitrovica and Viti projects are located within the Tethyan Belt, a major orogenic metallogenic province for gold and base metals which extends from the Alps (Carpathians/Balkans) to Turkey, Iran and Indochina, and contains several world class discoveries.

The Tethyan Belt of south-east Europe can be regarded as Europe's chief copper-gold (lead-zinc-silver) province. Mitrovica and Viti occur within calc-alkaline magmatic arc(s) which developed during the closure of the Neotethys Ocean, primarily targeting epithermal gold, lead-zinc-silver replacement deposits and porphyry related copper-gold mineralisation.

The lack of modern-day exploration in the Balkans presents a real opportunity for new mineral deposit discoveries.

Mitrovica

The Mitrovica licence is located immediately to the west and north west of the world class Stan Terg former lead-zinc-silver mine, which dates back to the 1930s; with current reserves of 29 million tonnes ("Mt") of ore at 3.45 per cent Pb, 2.30 per cent Zn, and 80 g/t Ag (ITT/UNMIK 2001 report), together with the past production of approximately 34 Mt of ore, the deposit represents an important source of metals in the south eastern part of Europe (Source: Strmić Palinkaš S., Palinkaš L.A et al, 2013. Metallogenic Model of the Trepča Pb-Zn-Ag Skarn Deposit, Kosovo: Evidence from Fluid Inclusions, Rare Earth Elements, and Stable Isotope Data. Economic Geology, 108, 135-162).

The licence is showing its potential for a range of porphyry related mineralisation types, including the Majdan Peak high-sulphidation epithermal gold target, the Wolf Mountain low-sulphidation lead-zinc-silver target and the Mitrovica South base and precious metal target in the southern part of the licence area. Vardar believes all the targets are related to a potentially much larger porphyry style mineralised system.

Wolf Mountain

The Wolf Mountain target forms a prominent outcropping feature, with strike length of more than 4 km and width ranging from almost 20 m to greater than 300 m. It represents a hydrothermal breccia zone with stockworks, which outcrop as a gossan, with iron-manganese oxides and hydroxides. The peripheral parts of the zone are characterised by intense silicification corresponding to fold structures which control the development of the hydrothermal breccia.

The mineralisation is structurally controlled, and, for most of the target, mineralisation is developed in the basement, broadly following a tectonic contact between ultramafic rocks and phyllite, and mainly within ultramafic units. Mineralisation is likely vein/replacement-type related to Oligocene magmatic activity responsible for the hydrothermal systems mapped in the southern portion of the licence area.

In October, the Company reported highly anomalous IP chargeability zones, considered high priority targets for drill testing, defined beneath areas of laterally extensive Pb-Zn gossans and hydrothermal alteration.

The IP anomalies are located below, often straddling, the contact between younger Oligocene volcanoclastic rocks and ultramafic basement, in agreement with mapped and drill tested mineralisation, adding further support for a source of the observed mineralisation.

Importantly, anomalies follow established regional structural trends suggesting they may be representative of high-grade Pb-Zn-Ag feeder structures, often a characteristic of the deposit type.

Resistivity results correlate very well with geological mapping, drilling and trenching, delineating the lateral and vertical extent of the low resistivity volcanoclastic units over the higher resistivity ultramafic basement.

In December, the Company announced that an exceptional high chargeability anomaly had been identified to the east of the main Wolf Mountain prospect, correlating with anomalous soil samples (up to 1.0 per cent Zn and 0.5 per cent Pb and rock samples from gossans (including 3.5 per cent Zn, 1.8 per cent Pb, 93 g/t silver Ag.

The chargeable source follows a prominent northwest trending structure which connects to the Zijaca deposit (non-JORC compliant 5.2 Mt containing 2.83 per cent Zn, 2.83 per cent Pb and 16 g/t Ag) located just two kilometres to the southeast and it remains open ended to the northwest.

Results to date suggest that the Wolf Mountain prospect covers a much larger area than previously considered.

Referring back to 2019, a total of 278.5 m of trenching and 1,609 m of drilling were completed at Wolf Mountain. Drilling and trenching results confirmed extensive lead-zinc-silver mineralisation over an area of 800 m in length and 400 m in width.

Trenching highlights include:

- Trench WM-T01: 18 g/t silver, 2.01 per cent lead and 3.17 per cent zinc over 12.5 m, within a longer 51 m in length cross-section returning 11 g/t silver, 1.43 per cent lead and 1.87 per cent zinc;
- Trench WM-T02: 14 g/t silver, 3.6 per cent lead and 0.64 per cent zinc over 8 m.

Drilling highlights include:

- Drillhole WM004: 8 g/t silver, 1.27 per cent lead and 0.91 per cent zinc over 6.6 m (estimated true thickness); and
- Drillhole WM007: 16 g/t silver, 2.69 per cent lead and 0.4 per cent zinc over 4.3 m (estimated true thickness).

Results to date suggest that the Wolf Mountain prospect consists of several structurally controlled targets, often occurring along geological contacts in the basement rocks and covering a larger area than previously considered.

Majdan Peak

Majdan Peak is situated in the central portion of the Mitrovica licence area. Results to date have identified the main Majdan Peak gold target and a second target to the south, Majdan Peak South.

In June, the Company reported results from soil sampling which highlighted epithermal gold potential. An extensive gold anomaly was identified over an area approximately 1400 m x 700 m, with individual soil samples returning up to 0.36 g/t gold. The scale and size of the anomaly, together with coincidental multi-element anomalies and extensive hydrothermal alteration, are comparable to significant high-sulphidation epithermal gold deposits within the region. The gold anomaly correlates well with anomalous arsenic, copper, lead, mercury, strontium and antimony and geological mapping has shown the presence of advanced argillic alteration.

In July, Beowulf reported results from a grab sampling programme. 96 samples were collected from outcrop and subcrop, 42 of which assayed in excess of 0.1 g/t gold. The anomalous results from this correlate well with gold in soils and alteration intensity and again confirmed the significant scale of the Majdan Peak gold anomaly, which remains open to the east.

Sample results over 1 g/t gold include:

- 7.2 g/t; 4.6 g/t; 2.8 g/t; 2.0 g/t; 1.5 g/t; 1.3 g/t; 1.3 g/t; and 1.1 g/t.

In addition to the primary gold target at Majdan Peak, a new multi-element anomaly delineated to the south of the main peak correlates well with anomalous rock grab samples, including samples with up to 0.79 g/t gold. Galena (lead sulphide) veins are also apparent in some of the outcropping gossans.

In November, the Company announced results from an IP and resistivity survey, where highly anomalous chargeability targets were mapped for both Majdan Peak and Majdan Peak South. These chargeability targets correlated well with anomalous rock and soil samples, mapped alteration and zones of demagnetisation identified by a high-resolution drone magnetic survey. The IP anomalies demonstrate depth extent and suggest that the mapped surficial gold mineralisation is related to a potentially large underlying source which is over 700 m in strike length with significant width and thickness.

The zones of high resistivity correlate well with mapped silicification and advanced argillic alteration which appear to overlay the main IP chargeability target, as would be expected in a typical high-sulphidation gold deposit. Shallow IP anomalies follow structural trends mapped in the magnetic data suggesting a structural control to the distribution of mineralisation which may link up to the carbonate replacement lead-zinc ore bodies of the neighbouring Stan Terg deposit.

Mitrovica South

A new lead-zinc-copper-gold target has been identified in the southern part of the licence, particularly significant given its proximity, approximately 4 km, to the Stan Terg mine.

The Vardar team has mapped zinc mineralisation associated with trachyte dykes and soil sampling results, identifying distinctive zinc, copper, lead, silver, and gold anomalies extending laterally from known mineralisation, suggest that the mineralised system may be larger than initially indicated by geological mapping.

Viti

The Viti project is located in south-eastern Kosovo and encompasses an interpreted circular intrusive, indicated by regional airborne magnetic data. There is evidence of intense alteration typically associated with porphyry systems, with several copper occurrences and stream sample anomalies in proximity to, and within the project area. In the south-east of the project area, reconnaissance mapping has identified several zones of intense argillic alteration, hydrothermal breccias and iron oxide stockworks.

In In 2019, two stratigraphic holes, totalling 439 m, were drilled to test for alteration type and potential associated mineralisation in the gossanous zone, and identified highly altered trachyte porphyry dykes with associated copper and gold mineralisation, with down the hole intersections of 1 m at 0.5 g/t and 10 m at 0.12 g/t.

During the year, the Company reported results from detailed 3D IP and resistivity surveys undertaken over the Metal Creek prospect, which forms part of the Viti project. High chargeability anomalies associated with an extensive north-northwest trending zone of alteration and anomalous multi-element soil sample and rock grab sample results were delineated. The newly defined high chargeability anomalies sit near gold and copper mineralisation, associated with altered porphyritic trachyte dykes, intersected by previous stratigraphic drilling. These anomalies could represent higher grade mineralised zones and Vardar is now planning to drill two short holes to test chargeability 'hot spots'.

Post-Year End

Beowulf announced on 8 February 2021, that the Company had invested £200,000 to fund preparatory works, building access roads and drilling platforms, across the Mitrovica licence, lead-zinc targets at Wolf Mountain and gold targets at Majdan Peak. It is hoped that drilling can commence in the third quarter of 2021. The investment increased the Company's ownership in Vardar from 46.1 per cent to 48.4 per cent approximately.

FENNOSCANDIAN RESOURCES

Fennoscandian

Fennoscandian is pursuing a strategy to develop a resource and production base of graphite that can provide security of supply and contribute to Finland's ambitions of achieving battery manufacturing self-sufficiency, focusing on both natural flake graphite production and a Circular Economy/recycling strategy to produce high-value graphite products. The Company is also developing its knowledge in processing and manufacturing value-added graphite products, including anode material for lithium-ion batteries.

Since Fennoscandian was acquired by Beowulf in January 2016, the Company has invested approximately €2.2 million in graphite exploration, resource development, metallurgical testwork and the assessment of market applications for graphite supplied from its Aitolampi project, including lithium-ion battery applications.

Finnish Exploration Permits

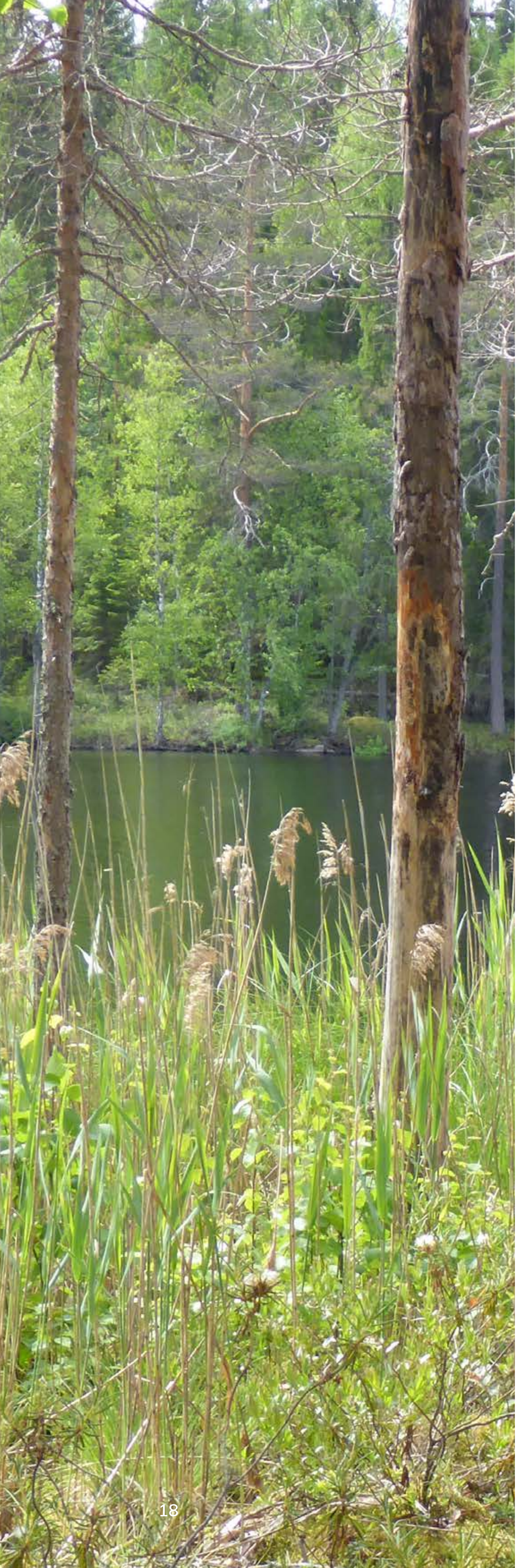
Fennoscandian has a rolling programme of exploration permit applications and renewals.

Tukes (the permitting authority) processes the Company's exploration permit applications, which if deemed satisfactory, are published as a 'Hearing' for one month, during which time appeals can be submitted.

With the prevalence of 'not in my backyard' or NIMBYism, the right of appeal is often exercised, and an Administrative Court takes over the case.

In the case of Rääpysjärvi 1, Tukes granted a permit on 25 April 2019. On 27 April 2020, the Administrative Court of Eastern Finland rejected an appeal, but a further appeal has been made to the Supreme Administrative Court of Finland. The case continues.

Permit Name	Licence no.	Area (hectares)	Notes
Karhunmäki 1	ML2019:0113	964.99	Exploration permit application submitted 31 Dec 2019. Hearing published 31 March 2021. Deadline for appeals 3 May 2021.
Merivaara 1	ML2020:0059	957.20	Exploration permit application submitted 1 Dec 2020.
Pitkäjärvi 1	ML2016:0040	407.45	Exploration permit granted and appealed.
Rääpysjärvi 1	ML2017:0104	716.25	Exploration permit granted. Ongoing appeals process.



Aitolampi

(Pitkäjärvi 1 Exploration Permit) – Graphite

Introduction

The Aitolampi graphite project sits within the Pitkäjärvi 1 licence and is located in eastern Finland, approximately 40 km southwest of the well-established mining town of Outokumpu.

Discovered in 2016, the licence covers an area of graphitic schists on a fold limb, coincidental with an extensive electro-magnetic ("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.

Mineral Resource Estimate:

In 2019, Fennoscandian delivered an upgraded Mineral Resource Estimate ("MRE") for Aitolampi, with an 81 per cent increase in contained graphite (compared to the 2018 MRE) for the higher-grade western zone with an Indicated and Inferred Mineral Resource of 17.2 Mt at 5.2 per cent Total Graphitic Carbon ("TGC") containing 887,000 tonnes of contained graphite.

An unchanged Indicated and Inferred Mineral Resource of 9.5 Mt at 4.1 per cent TGC for 388,000 tonnes of contained graphite for the eastern lens.

In total, an Indicated and Inferred Mineral Resource of 26.7 Mt at 4.8 per cent TGC for 1,275,000 t of contained graphite. All material is contained within two graphite mineralised zones, the eastern and western lenses, interpreted above a nominal three per cent TGC cut-off grade.

An augmented global Indicated and Inferred Mineral Resource of 11.1 Mt at 5.7 per cent TGC for 630,000 t of contained graphite, reporting above a five per cent TGC cut-off, based on the grade-tonnage curve for the resource.

The Mineral Resource was estimated by CSA Global of Australia following the guidelines of the JORC Code 2012 edition. See table below:

Zone	Classification	Mt	TGC %	S %	Density (t/m3)	Contained graphite (kt)
Western lens	Indicated	9.2	5.1	5.0	2.80	468
	Inferred	8.0	5.2	4.7	2.80	419
	Indicated + Inferred	17.2	5.2	4.8	2.80	887
Eastern lens	Indicated	1.8	4.1	4.4	2.82	74
	Inferred	7.7	4.1	4.5	2.82	314
	Indicated + Inferred	9.5	4.1	4.5	2.82	388
TOTAL	**Indicated + Inferred**	26.7	4.8	4.7	2.81	1,275

2020 Summary

During the year, test work on a composite sample for Karhunmäki, a new graphite prospect, was found by Fennoscandian to produce a concentrate grade of 96.4 per cent TGC, with 51.3 per cent large/jumbo flakes (+180 micron). The Company has applied for an Exploration Permit for the project.

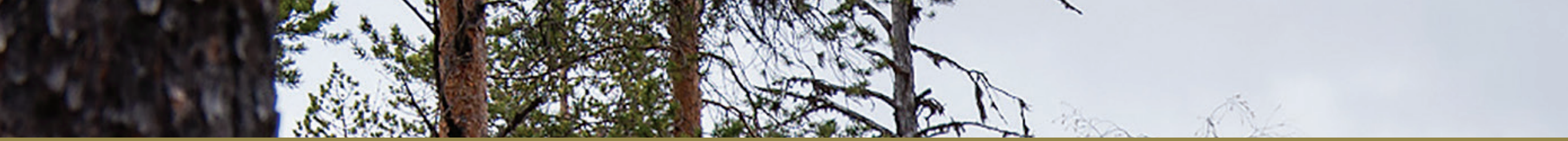
Fennoscandian continued to assess the results of spheroidization and battery tests on its Aitolampi graphite.

Fennoscandian also joined, as a consortium member, the Business Finland funded BATTrace project, which aims to improve traceability along the battery raw materials value chain using mineralogical/geochemical fingerprinting, to validate responsible and sustainable sourcing of cobalt, nickel, lithium, and graphite.

2021 Update

In March 2021, Fennoscandian signed a Memorandum of Understanding ("MoU") with Epsilon Advance Materials Limited ("EAMPL"). The MoU enables Fennoscandian to build its downstream capability, collaborating with a strong and innovative technology/processing partner, and for EAMPL to firmly establish itself in Finland, as a market-entry point for supplying pre-cursor anode material into Europe.

A Scoping Study contract for the Aitolampi graphite project has also been awarded to AFRY Finland Oy. The purpose of the Scoping Study is to verify the robustness of the work completed by Fennoscandian, and to provide a roadmap for the next project development stage, most likely a Pre-feasibility Study. The output of the Scoping Study will enable Fennoscandian to better explain the Aitolampi project to the local community and other important stakeholders.



Permits

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

Name	Licence no.	Area (hectares)	Valid from	Valid to	Notes
Åtvidaberg nr 1[2,4]	2016:51	12533	30/05/2016	30/05/2022	-
Kallak nr 1[1]	2006:197	500	28/06/2006	28/06/2022	Kallak iron ore project
Parkijaure nr 6[1,4]	2019:81	999	10/10/2019	10/10/2022	Exploration ground to the south of Kallak
Parkijaure nr 2[1]	2008:20	285	18/01/08	18/01/2024	Kallak iron ore project

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) Due to COVID-19, valid exploration permits have been awarded an additional year to their existing term. The Mining Inspectorate is yet to complete updating its registers and will directly inform each permit holder of the change that applies to their respective permits. As such the extension year, which should extend the term of these licences to 2023, has not been added to the licence 'Valid To' dates shown above.

Introduction

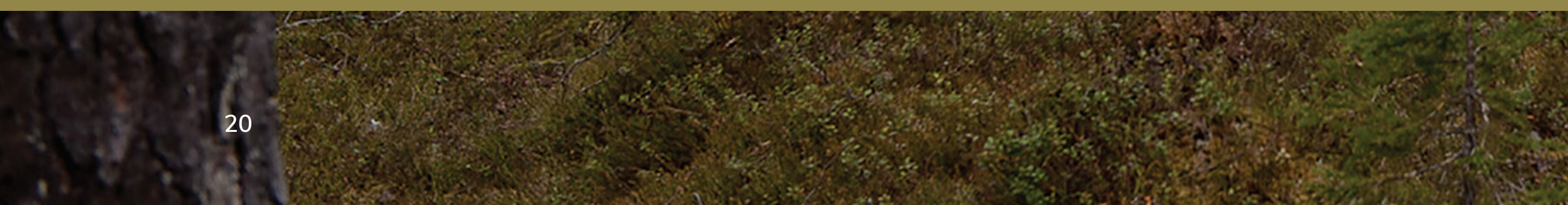
The Company's most advanced project is the Kallak magnetite iron ore deposit located approximately 40 km west of Jokkmokk in the County of Norrbotten, Northern Sweden, 80 km southwest of the major iron ore mining centre of Malmberget, and approximately 120 km to the southwest of LKAB's Kiruna iron ore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

The Company is currently going through the process of obtaining an Exploitation Concession for Kallak North (the "Exploitation Concession").

On 17 September 2020, the Company published the market leading potential of Kallak's magnetite concentrate following an assessment by Dr. Arvidson MSc Mining/Mineral Processing, PhD Mineral Processing (equivalent), Royal Institute of Technology, Stockholm, as Qualified Person.

Kallak is excellently positioned as a secure and sustainable future supplier of high-quality iron ore powered by renewables to Sweden's growing fossil-free steel making sector.

The deposit is benefitted by excellent local infrastructure with all-weather gravel roads passing through the project and forestry tracks allowing for easy access throughout the licence. 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, passes approximately 40 km to the east. The Inlandsbanan meets the Malmbanan railway at Gällivare, which provides routes to the Atlantic harbour at Narvik in Norway or to the Bothnian Sea harbour at Luleå in Sweden.



SWEDEN

Kallak Resource

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

A 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.

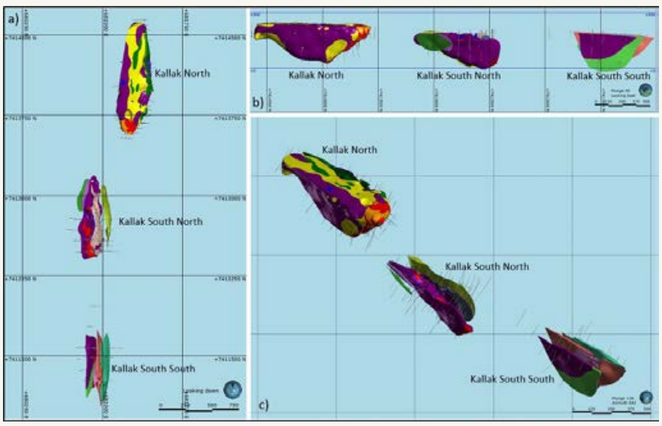
(3) Cut-off grade of 15 per cent iron has been used.

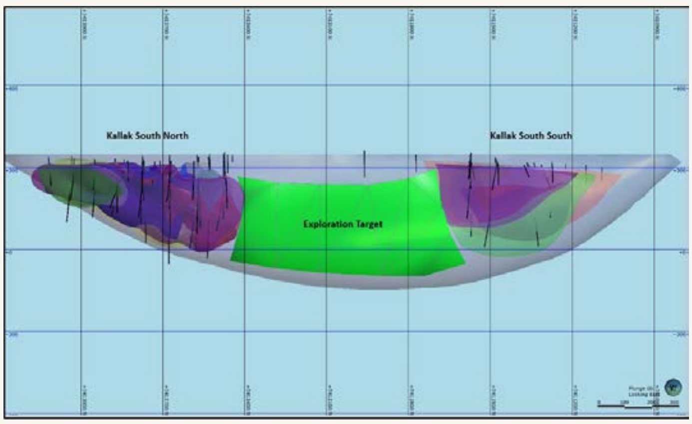
(4) Mineral Resource, which is not Mineral Reserves, has no demonstrated economic viability.

(5) An exploration target of 90-100 Mt at 22-30 per cent Fe represents potential ore below the pit shells modelled for this resource statement, and in the gap between drilling-defined Kallak South mineralised zones.

(6) The resource statement has been prepared and categorised for reporting purposes by Mr. Thomas Lindholm, of GeoVista AB, Fellow of the MAusIMM, following the guidelines of the JORC Code, 2012 edition.

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





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

The deepest drill hole intercept is located some 350 m below the surface in the central part of the mineralisation. In the southern and northern parts, the intercepts are shallower at 150-200 m. 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 750 m from north to south and has an accumulated width of 350 m. The deepest drill hole intercept is located some 350 m below the surface in the southern-most part of the mineralisation. In the southern part, the mineralisation extends approximately 500 m from north to south and has a maximum width of just over 300 m. The deepest drill hole intercept is located some 200 m to 250 m below the surface in the central part of the mineralisation.

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

2020 Update

Throughout 2020, Beowulf continued to push for a decision from with the Swedish Government on its application for an Exploitation Concession, while demonstrating its approach to developing an innovative, modern, and sustainable mining operation at Kallak. The Company continued to work with the Mayor in Jokkmokk, Norrbotten Regional Council Members and Norrbotten Members of Parliament to lobby the Government.

In May, the Company announced that it had awarded a drilling contract for Kallak to Kati Oy for up to 1,650 m diamond drilling, targeting additional potential iron ore mineralisation at Kallak South. The work programme, now postponed until later in 2021, will determine if a 3D seismic model can be constructed, using the established seismic characteristics of the Kallak deposit, and whether the 3D model can be used to help define additional iron ore resource. If successful, the set-up could then be applied to the Exploration Target at Kallak South and further south, following the magnetic signature of mineralisation which extends into the Company's Parkijaure nr 6 exploration licence.

There is clear potential for the mine life at Kallak to be much greater than the 14 -years included in the Kallak North application. As can be seen with LKAB's operations at Kiruna, which have lasted over a century, new resources are typically identified after a mine is opened.

The work is being undertaken as part of the EU funded PACIFIC Project ("PACIFIC"). The aim of PACIFIC is to develop a new low-cost and environmentally friendly tool for exploring for sub-surface mineral deposits. The programme will test a multi-array method in parallel with drilling at Kallak South, with noise from drilling providing a passive seismic source.

On 17 September 2020, the Company published the market leading potential of Kallak's magnetite concentrate following an assessment by Dr. Arvidson as Qualified Person, the highlights of which can be summarised as follows:

- **testwork on Kallak ore has produced an exceptionally high-grade magnetite concentrate at 71.5 per cent iron content with minimal detrimental components;**
- **this would make Kallak the market leading high-grade product among known current and planned future producers;**
- **the next best magnetite product is LKAB's (the state-owned Swedish iron ore company), which produces magnetite fines ("MAF") with a target specification of 70.7 per cent iron and is regarded as unique, until now, due to its exceptionally high iron content; and**
- **Kallak magnetite concentrate would reduce the carbon footprint of traditional steel manufacturing, improve energy efficiency in any downstream process and reduce waste. Magnetite has inherent energy content, which ultimately results in lower energy demand for steel manufacturing when compared to current common practice.**

Globally, the feedstock for steelmaking is 80 per cent. hematite and 20 per cent. magnetite. The demand for high-quality feedstock and therefore magnetite should increase as producers look to protect the environment by improving energy efficiency, minimising waste and the impact of waste disposal.

The Constitutional Committee ("KU"), which has been reviewing the Swedish Government's handling of the Company's application for an Exploitation Concession for Kallak North met in November and made the following statement (translation):

"KU has examined the application for a processing concession for Kallak. In the Government case, no visible administrative measures were implemented for almost three years. This means a delay that is not acceptable, according to KU.

It also appears that the applicant has on several occasions asked the Ministry of Trade and Industry for a meeting. The Ministry has then stated that this is not possible because the issue concerns a forthcoming Government decision and is a matter under consideration.

KU notes that the Ministry management's statement does not seem to be in line with what the Prime Minister has stated. The Government Offices thus seem to lack a common approach to the possibility for parties in administrative matters to have a meeting with the responsible ministry."

A month prior to the KU's statement, the Government consulted with UNESCO on the Company's application. While the KU's statement will have no bearing on the final decision, the Company believes that once comments are received back from UNESCO a decision will be 'forthcoming', language used by the Minister in September 2019. The Company has been in communication with UNESCO regarding its review of Kallak.

2021 Outlook

It remains the Directors' view that the Company's application for an Exploitation Concession fully meets the requirements of the prescribed process, and that it has done so since the Mining Inspectorate recommended to the Government, in October 2015, that the Concession be awarded.

In Sweden, the acknowledged direction of travel is that more mining is needed to produce the metals to facilitate the transition to a Green Economy and the electrification of society to address the Climate Emergency. It would seem illogical to consider that given this context the Concession, which has been in development for almost 15 years since the first exploration permit was awarded, is not granted, despite the inordinate time the Company has had to wait for a decision.

The Directors believe that the award of the Exploitation Concession would result in a re-rating of the Company's value and prospects by investors. The 'big picture' for Kallak is that a mine could be in production within four to five years.

If the Swedish Government approves the Exploitation Concession, and with funding from the Capital Raising, the Company's immediate plan is to complete a scoping study within 12 months, and in parallel a plan for a Pre-feasibility Study and initiate environmental permitting.

While the Company waits for a decision on the Exploitation Concession, exploration work can continue under valid work plans, with drilling at Kallak South later this year. Work is continuing on firmly establishing the resource upside and the potential for a much longer life mining operation, beyond the 14 years included in the Kallak North application, which can support a sustainable mining operation over decades, and secure supply of high-quality iron ore to the growing fossil-free steelmaking industry.

In addition, the Company is continuing to work with consultants on assessing new processing innovations, which will remove the necessity for flotation and enable the Kallak design to move away from a wet tailings storage towards dry-stacking, thereby reducing the environmental footprint of a future operation.

Finally, the Company has embarked on advancing social studies, specifically aimed at advancing discussions on formal agreements with key stakeholders including the Jokkmokk municipality and the Sami reindeer herders. The Company considers this work as critical to maximising the benefits that Kallak will generate for all stakeholders. These specific studies and work programmes, are beneficial to optimising the environmental and social aspects of the Kallak project, reducing its impacts and maximising its benefits.

Board of Directors

Sven Otto Littorin - Non-Executive Chairman BSc

Mr Littorin joined Beowulf as Non-Executive Chairman in November 2020. Mr Littorin is a former politician and Sweden's Minister for Employment from 2006 to 2010. Since leaving government, he co-founded his own real estate development company and has held a number of advisory positions across Europe, North America and the Middle East.

His most recent positions include serving as a member of the Advisory Board of Gravitas in Austria, a Partner with The Labyrinth Public Affairs in Sweden, and an Advisor to the Human Resources Development Fund in Saudi Arabia.

Mr Littorin holds a BSc in Economics and Business from Lund University.

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 merger and acquisition 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, MSc DIC

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$135 million.

Secretary

ONE Advisory Limited - Company Secretary

ONE Advisory Limited is an AIM specialist advisory and administration firm, responsible for ensuring that Board procedures are followed and that the Company applies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman to maintain excellent standards of corporate governance

Senior Management

Rasmus Blomqvist - Exploration Manager MSc MAusIMM

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 2020.

Principal Activity

The principal activities of the Group are the exploration and development for iron ore, graphite, base and precious metals in the Nordic Region and Kosovo. A detailed review of the mining activities can be found under Review of Operations and Activities. The Group is registered in and controlled from the United Kingdom.

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 £1,128,512 (2019: Loss of £267,000). 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	Not obtaining an Exploitation Concession at Kallak North
Risk	The Company does not meet the requirements of the prescribed process for an Exploitation Concession
Risk rating pre-mitigation	HIGH
Mitigating action	In July 2015, the CAB supported the Company's application, and in October 2015 the Mining Inspectorate recommended that the concession be awarded. In its November 2017 statement, the CAB recommended that a Concession is not awarded, but failed to use the socio-economic assessment criteria set out in the Environmental Code for applications such as ours, which put emphasis on safeguarding investment and job creation, and giving consideration for the municipalities' financial health. The CAB also contradicted its July 2015 position, when it supported the economic case for Kallak. 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. The Company has the support of the Mayor of Jokkmokk, landowners' association and local entrepreneurs who have lobbied the Government for the award of the Concession. Kallak would have a positive transformational economic effect on Jokkmokk, the importance of which the Government has acknowledged. The Constitutional Committee ("KU"), which has been reviewing the Government's handling of the Kallak application Kallak application, strongly criticised the government on 26 November 2020. While the KU's statement will have no bearing on the final decision, the Company believes that once comments are received back from UNESCO a decision will be 'forthcoming', language used by the

Minister in September 2019. The Company has been in communication with UNESCO regarding its review of Kallak. Since the KU statement, political parties outside of Government are taking a greater interest in the case and, with the support of our advisers, we continue to inform and educate on the facts about Kallak and dispel the perceptions that exist. In Sweden, the acknowledged direction of travel is that more mining is needed to produce the metals to facilitate the transition to a Green Economy and the electrification of society to address the Climate Emergency. It would seem illogical to consider that given this context the Concession which has been in development for almost 15 years since the first exploration permit was awarded, is not granted, despite the inordinate time the Company has had to wait for a decision.

Risk rating post-mitigation	MEDIUM

Description	Revocation of licences
Risk	Licences are subject to conditions which, if not satisfied, may lead to the revocation of the licence
Risk rating pre-mitigation	MEDIUM
Mitigating action	In all cases the Company diligently manages its licences to ensure full compliance. A monthly status report is generated for monitoring purposes and action. In Kosovo, licence renewals have coincided with a changeover in ICMM Board members and Parliamentary elections, but there is no justification for permits not being renewed, In Finland, NIMBY opposition to mining development is generating appeal/court induced delays into permitting processes. However, the Company has satisfied Tukes' for its permits applications/renewals and is working with the industry association FinnMin on these matters.
Risk rating post-mitigation	LOW

Description	Non-operator of subsidiary
Risk	Lack of control and oversight on entity spend
Risk rating pre-mitigation	LOW
Mitigating action	Budgets are provided by the entity on request and at the investment stage. Funds invested are designated for specific project use. Accounting information prepared and consolidated by third party provider for inclusion in external reporting. Company CEO holds position as a director.
Risk rating post-mitigation	LOW

Description	**Unable to raise sufficient funds**
Risk	Unable to raise sufficient funds to invest in project portfolio and cover corporate costs
Risk rating pre-mitigation	MEDIUM
Mitigating action	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. The £7.4 m Capital Raising completed in December 2020 has significantly increased the Company's cash resources and profile in the Nordic markets, where 80 per cent of funds were raised.
Risk rating post-mitigation	MEDIUM

Description	**Long term adverse changes in Commodity prices**
Risk	Prices for iron ore, graphite, and other commodities may affect the viability of the Company's projects
Risk rating pre-mitigation	MEDIUM
Mitigating action	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. In the Nordic region, COVID-19 has not had a material effect on the mining sector, with mines continuing to operate. In Kosovo, Vardar has continued with exploration activities. The economic slowdown caused by the pandemic is anticipated to reverse, once COVID-19 is brought under control. Global Platts 62% iron ore fines benchmark was assessed at an average of $161.21/mt CFR China during the week of 27 December 2020.
Risk rating post-mitigation	MEDIUM

Description	**Not discovering an economic mineral deposit**
Risk	Very few projects go through to be developed into mines
Risk rating pre-mitigation	HIGH
Mitigating action	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.
Risk rating post-mitigation	MEDIUM TO LOW

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. The underlying group overhead expenses increased in the year to £1,005,547 (2019: £904,666), the increase was largely attributable to a decrease of £56,739 capitalisation of executive time and an increase of £39,976 foreign currency losses recognised in the profit and loss.

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 the Company at a minimum has sufficient funds to undertake it's committed expenditure and meet its financial obligations. A key objective of the Company during the year was to complete a successful capital raising in Sweden which was achieved through the rights issue. The Group demonstrates a commitment to financial stability as shown by a year-end cash position of £4.33 million (2019: £1.12 million), which the Board considers sufficient for funding activities to the medium term.

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. This approach is best evidenced through the oversight at a board level and reporting level of operations where the Company is not the operator decision to impair several an early stage project in the current year, in order to preserve resources.

Non-financial:

iv. 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, and in Kosovo, works closely with Vardar management to ensure that licences are maintained in good standing.

S172 Statement

The Board of Beowulf is aware that the decisions it makes may affect the environment and society in which the Company operates. The Board makes a conscious effort to understand conflicting interests, reflect them in the choices it makes, and create long-term success for shareholders and stakeholders.

Due to COVID-19, overall investment and activity levels were at a lower level during the year, so investment decisions requiring detailed examination of stakeholder interests were limited.

Despite the pandemic, in the case of Kallak, the CEO maintains regular contact with the Mayor of Jokkmokk, politicians in Norrbotten and Stockholm, either directly or through the Company's Public Affairs advisers. The Chairman's presence and political profile in Sweden are also of benefit when it comes to understanding the context of issues of concern. The Company seeks to ensure it is both sensitive and effective in its communication to and interactions with key stakeholders and decision makers.

During the year, our investments in Vardar were supported by the positive way in which Vardar has been received by the local community and the Kosovan authorities. At this early stage, exploration activities cause limited negative impact on local communities and the environment, but the Vardar team maintains a proactive approach to engagement with stakeholders.

Engagement with our shareholders and wider stakeholder groups plays an essential role throughout our business. We recognise the importance of open and transparent communication with each of our stakeholder groups, so that we can understand their specific interests, and foster effective and mutually beneficial relationships. We understand that each stakeholder group requires a tailored engagement approach to foster effective and mutually beneficial relationships. We seek to maximise the benefits to host communities in which we operate, while minimising negative impacts to effectively manage issues of concern. Our understanding of stakeholders is then factored into boardroom discussions, regarding the potential long-term impacts of our strategic decisions on each group, and how we might best address their needs and concerns.

An example of the Company developing its understanding of wider stakeholder interests and its place in society is the 'Big Picture' study for Kallak ("the Study" or "the Kallak Study") produced by Copenhagen Economics in 2017. The Study built on the 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'.

Copenhagen Economics had previously reviewed the attractiveness of the Swedish mining sector on a number of parameters, including licensing and regulation, commissioned by the Swedish Agency for Growth Policy Analysis, part of the Government of Sweden.

The Study demonstrated that the economic effect of Kallak is 'not just about a mine'. A mining project would economically transform Jokkmokk and support other major capital expenditure and economic activity in the region. The Study continues to form a basis for discussions about Kallak's place in the ecosystem which continues to evolve, as renewable power in Norrbotten is leveraged for the benefit of fossil-free steel production.

The Company has contributed to the OECD's work over several years and this continues to inform our decision making on the development path for Kallak, engagement and benefits sharing with stakeholders as project studies are advanced and financial returns are better understood.

In 2019, the Company participated in the OECD's Rural Policy Review 'Linking the Indigenous Sami People with Regional Development in Sweden' and has used this as a basis for discussions with politicians in Norrbotten who have a vested interest in bringing investment to the region. The Company has also contacted groups such as Invest in Norrbotten, Luleå Näringsliv and Luleå Chamber of Commerce, with whom the Company has maintained contact over recent years, and who also seek to attract investment to the region.

The CEO has previously attended the third OECD Meeting for Mining Regions and Cities, organised to enable knowledge sharing, with a focus on developing policy recommendations and standards that can help maximise the benefits that mining can bring to a region or city.

At the meeting, learnings from past situations and experiences, what works and what doesn't work, and ongoing challenges, such as gaining acceptance by communities when it comes to mining development and the importance of engaging with indigenous communities, were discussed. In addition, global trends were presented, including the 'Circular Economy' and the adoption of 'Clean Energy', and the impacts that these could have on the future demand for minerals and metals.

Throughout this Annual Report, we provide examples of how we:

- Consider the likely consequences of long-term decisions;
- Foster relationships with stakeholders;
- Understand our impact on our local community and the environment; and
- Demonstrate the importance of behaving responsibly.

This section serves as our s172 statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement. Section 172 of the Companies Act 2006 requires Directors to act in a way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, considering the factors listed in s172. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on communities, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly with different interest groups, is what the Directors consider most likely to promote the long-term success of the Company.

The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom by the CEO's attention to stakeholder matters or issues and through his direct engagement with stakeholders. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

While the COVID-19 pandemic interrupted in person interactions with various stakeholders internally and externally, the Company actively maintained open communication channels, and will be reintroducing in person interactions gradually provided it is safe to do so in line with Government guidelines and the needs of individual attendees. The CEO was able to travel twice to Sweden in late September, early October 2020 and visit Jokkmokk and Stockholm to meet with local stakeholders, politicians and advisers.

Shareholders have the opportunity to discuss issues and provide feedback at any time. Further information is available on the Company's website **https://beowulfmining.com/.**

The table below acts as our s172(1) statement by setting out the key stakeholder groups, their interests and how Beowulf has engaged with them over the reporting period. However, given the importance of stakeholder focus, long-term strategy and reputation, these themes are also discussed throughout this Annual Report.

Stakeholder	Their interests	How we engage
Investors	• Sustainability • ESG performance • Ethical behaviour • Company reputation • Comprehensive review of financial performance of the business over the long-term • Awareness of long-term strategy and direction	• Transparency in all communications • Interim and Annual Report • Investor Relations section on the Company website • RNS announcements • Option to receive RNSs directly Shareholder circulars • AGM • Investor access to the CEO
Regulatory bodies	• Compliance with regulations • Employee pay, conditions and welfare • Health and Safety • Company reputation • Environmental impact • Insurance	• Company website • RNS announcements • Interim and Annual Report • Direct contact with regulators • Compliance updates at Board Meetings • Regular risk review • Ongoing communication with the Swedish Government • Engagement with the Mining Inspectorate of Sweden • Monthly KPI's on licence conditions compliance

Stakeholder	Their interests	How we engage
Environment	• Sustainability • Biodiversity, energy, water and waste management	• Transparency in ESG performance • Oversight of corporate responsibility plans • Demonstrate compliance with laws and regulations
Community	• Sustainability • Community engagement • Human Rights	• ESG performance • Participation in the OECD's 'Linking the Indigenous Sami People with Regional Development in Sweden' project • Engagement with the Sami reindeer herder representatives • Communication with Sametinget members • Meeting with key community representatives • Partnering with the communities in which we operate - sharing plans/ideas for discussion
Contractors	• Terms and conditions of contract • Health and safety • Human rights and modern slavery	• Anti-Bribery Policy • Whistle-blower Policy

ON BEHALF OF THE BOARD:
Mr K Budge, Director
14 May 2021

Report of the Directors

The Directors present their report, together with the audited financial statements of the Group, for the year ended 31 December 2020.

Directors

Since 1 January 2020, the following Directors have held office:

Mr K R Budge
Mr C Davies
Mr G Färm*
Mr S O Littorin**

*Resigned from the Board on 10th November 2020

**Appointed to the Board on 10th November 2020

Dividends

No dividends will be distributed for the year ended 31 December 2020 (2019: Nil).

Going Concern

At 31 December 2020, the Group had a cash balance of £4.33 million and the Company had a cash balance of £4.24 million. During the year, the Company has raised £7.4 million (before expenses) cumulatively through a successful capital raise.

Management have prepared cash flow forecasts to demonstrate that they are confident that they are taking all necessary steps to ensure that the Group has the required cash to pursue it strategic objectives, an assertion supported by the significant equity finance raised prior to year end. They have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Management implemented logistical and organisational changes to underpin the Group's resilience to the impact felt by the COVID-19 pandemic, with the key focus being protecting all personnel, minimising the impact on critical work streams and ensuring business continuity. The effect on the economy may impact the Group in varying ways, which could lead to a direct bearing on the Group's ability to generate future cash flows for working capital purposes. The inability to gauge the length of such disruption further adds to this uncertainty. For these reasons, the generation of sufficient operating cash flows remain a risk. Management are closely monitoring commercial and technical aspects of the Group's operations to mitigate risk and is confident that the Group has access to sufficient working capital to continue operations for the foreseeable future.

Directors' and Officers' Indemnity Insurance

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers. These were made during the period and remain in force at the date of this report. Further details of these agreements can be found in the remuneration report on page 39.

Significant Shareholdings

The Directors are aware of the following interests, directly or indirectly, in three per cent or more of the Group's ordinary shares as at 31 December 2020:

Shareholders	Shares	%
HSBC Global Custody Nominee (Uk) Limited	592,321,687	71.52
Interactive Investor Services Nominees Limited – A/C SMKTNOMS	25,554,866	3.09

Authority to Issue Shares

Each year at the AGM the Directors seek authority to allot ordinary 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 10 September 2020, the Directors were granted authority to allot ordinary shares generally up to an aggregate nominal value of £4,000,000, and authority to allot ordinary shares for cash on a non-pre-emptive basis up to an aggregate nominal value of £4,000,000 (2019: £1,471,598).

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 24 to the financial statements.

Financial Risk Management Objectives and Policies

Financial risk management policies and objectives for capital management are provided within Note 23 to the financial statements.

Future Developments Within the Business

Beowulf's strategy is to build a sustainable and innovative mining company, which creates shareholder value by developing mining assets, delivering production, and generating cash flow, and in so doing meets society's ongoing need for minerals, metals and economic prosperity.

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 shareholder value.

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

The Company's first priority remains the award of the Exploitation Concession for Kallak North, and thereafter completing the Scoping Study. 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, is an ongoing consideration, but does not preclude the Company from continuing to add value to Kallak in the meantime.

Fennoscandian, the Company's graphite business, is pursuing a strategy to develop a 'resource footprint' of natural flake graphite prospects that can provide 'security of supply' and enable Finland to achieve its ambition of self-sufficiency in battery manufacturing. The Company is a recipient of Business Finland funding, which is supporting Fennoscandian to move downstream, and develop its know-how in processing and manufacturing value-added graphite products.

The Company's investment in Vardar Minerals provides diversification, in geography and commodity exposure, to prospective exploration opportunities in the Balkan region in Kosovo. Mitrovica and Viti projects are both located within the Tethyan Belt, a major orogenic metallogenic province for gold and base metals which extends from the Alps (Carpathians/Balkans) to Turkey, Iran and Indochina, and contains several world class discoveries. The Tethyan Belt of south-east Europe can be regarded as Europe's chief copper-gold (lead-zinc-silver) province.

The Company's investment priorities across its portfolio remain subject to funding being available.

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.

Directors' Responsibilities Statement

The Directors are responsible for preparing the strategic report, directors' 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 applied in accordance with the provisions of the Companies Act 2006. 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 Spotlight Exchange 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 applied in accordance with the provisions of the Companies Act 2006, 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.

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 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 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
14 May 2021

Remuneration Report

The Directors have chosen to voluntarily present an unaudited remuneration report although is not required by the Companies Act 2006. Details of the Remuneration Committee's composition and responsibilities are set out in the Corporate Governance Report on page 43 and its terms of reference can be found on the Group's website: **beowulfmining.com**

Executive Directors' terms of engagement

Mr Budge is the sole Executive Director and Chief Executive Officer. His annual salary is £150,000. 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 annual fee is £31,000 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 Färm was appointed as Non-Executive Chairman on 30 October 2017. Under Mr Färm's letter of appointment, he was paid an equivalent fee in Swedish Krona of £33,975 per annum. Mr Färm had a one month notice period under his letter of appointment. Mr Färm resigned on 10 November 2020.

Mr Littorin was appointed as Non-Executive Director on 10 November 2020. Under Mr Littorin's letter of appointment, he is paid a fee in Swedish Krona of 450,000 per annum. Mr Littorin has a notice period of one month 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 2020 and 31 December 2019, was as follows:

Name	Position	Salary & Fees[1] £	Benefits[2] £	Pension[3] £	2020 Total £	2019 Total £
Mr K R Budge	Chief Executive Officer	150,000	874	13,000	163,874	215,434
Mr C Davies	Non-Executive Director	31,000	-	-	31,000	76,954
Mr G Färm	Non-Executive Chairman	25,193	-	-	25,193	49,956
Mr S O Littorin	Non-Executive Director	6,654	-	-	6,654	-
Total		**212,847**	**874**	**13,000**	**226,721**	**341,975**

Notes:

(1) Does not include expenses reimbursed to the Directors.

(2) Personal life insurance policy

(3) 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 2020 in the issued share capital of the Company were as follows:

ORDINARY SHARES	31 December 2020	31 December 2019
Mr K R Budge	3,322,585	2,416,426
Chris Davies	88,800	-

As at 31 December 2020, all options have vested.

ORDINARY SHARES UNDER OPTION	NUMBER	EXERCISE PRICE	EXPIRY DATE
Mr K R Budge	9,000,000	1.66 pence	17 July 2021
Mr K R Budge	3,500,000	7.35 pence	14 January 2024
Mr C Davies	2,500,000	12 pence	26 January 2022
Mr C Davies	2,500,000	7.35 pence	14 January 2024

As at 31 December 2019, all options have vested.

ORDINARY SHARES UNDER OPTION	NUMBER	EXERCISE PRICE	EXPIRY DATE
Mr K R Budge	9,000,000	1.66 pence	17 July 2020
Mr K R Budge	3,500,000	7.35 pence	14 January 2024
Mr C Davies	2,500,000	12 pence	26 January 2022
Mr C Davies	2,500,000	7.35 pence	14 January 2024

ON BEHALF OF THE REMUNERATION COMMITTEE

Sven Otto Littorin, Non-Executive Chairman
14 May 2021

Corporate Governance Report

It is the responsibility of the Chairman of the Board of Directors of the Company to ensure that the Group has both sound corporate governance and an effective Board. The Chairman's principal responsibilities are to ensure that the Group and the Board are acting in the best interests of shareholders, and by making sure that the Board discharges its responsibilities appropriately. This includes creating the right Board dynamic and ensuring that all important matters and strategic decisions receive adequate time and attention at Board meetings.

The Company formally adopted the Quoted Companies Alliance Corporate Governance ("QCA Code") in September 2018. This report follows the QCA Code guidelines and explains how we have applied the guidance. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company. The Board recognises that the Company does not fully comply with the 10 principles and general provisions of the QCA Code but does use it as a benchmark in assessing its corporate governance standards. Areas of non-compliance are disclosed in the text below. Details of the Company's compliance with the QCA code can be found below and in the Corporate Governance section of the Company's website **https://beowulfmining.com/wp-content/uploads/2021/05/Beowulf-QCA-Code-Chairs-Statement-2021.pdf**

The Board believes that application of the QCA Code supports the Company's medium to long-term development whilst managing risks, as well as providing an underlying framework of commitment and transparent communications with stakeholders. It also seeks to develop the knowledge shared between the Company and its stakeholders.

Strategy, Risk Management and Responsibility

A description of the Company's business model and strategy can be found on page 4, and the key challenges in their execution can be found on pages 28 to 30.

The Board is responsible for the monitoring of financial performance against budget and forecast and the formulation of the Group's risk appetite including the identification, assessment and monitoring of the Company's principal risks. The Audit Committee (see page 43) has delegated responsibility for the oversight of the Company's risk management and internal controls and procedures and for determining the adequacy and efficiency of internal control and risk management systems. The Board continuously monitors and upgrades its internal control procedures and risk management mechanisms and conducts an annual review, when it assesses both for effectiveness. This process enables the Board to determine if the risk exposure has changed during the year and these disclosures are included on pages 28 to 30.

In setting and implementing the Company's strategies, the Board, having identified the risks, seeks to limit the extent of the Company's exposure to them having regard to both its risk tolerance and risk appetite.

Directors

The Board comprises the Independent Non-Executive Chairman, Sven Otto Littorin, who was appointed to the Board in November 2020, the CEO, Kurt Budge, and the other Independent Non-Executive Director, Chris Davies. The size and composition of the Board is matched to the complexity of the business and its strategy.

Chris Davies holds 88,800 Ordinary Shares and holds 5,000,000 options over Ordinary Shares. Chris Davies entered into a consultancy agreement with the Company in 2017. The agreement compensates Chris Davies for the support that he gives, beyond his role as an Independent Non-Executive Director, where the Company is undertaking M&A due diligence and where a review of exploration activities is required. In Board meetings, Chris Davies frequently challenges the CEO on matters, issues and proposed courses of action and maintains an independent perspective. The level of compensation Chris Davies received under the consultancy agreement during the period under review is not material.

Neither Chris Davies nor the other Directors believe his options or consultancy agreement are significant in assessing his independence.

All Directors are encouraged to challenge and to bring independent judgement to bear on all matters, both strategic and operational. Biographical details of the Directors can be found on the Group's website **https://beowulfmining.com/.**

Both the Independent Non-Executive Chairman, Sven Otto Littorin, and the other Independent Non-Executive Director, Chris Davies, dedicate approximately between two to four days per month to the Group's business.

Key governance matters that occurred during the year include the appointment of Sven Otto Littorin as Independent Non-Executive Chairman and the resignation of Göran Färm on 10 November 2020.

The Board is satisfied that each of the Directors are able to allocate sufficient time to the Group to discharge their responsibilities effectively. The number of scheduled meetings of the Board together with the attendance record of each Director for the year ended 31 December 2020 is outlined below:

Attendance by Directors	Board (5 Meetings held)
Mr K R Budge	5
Mr C Davies	5
Mr G Farm*	3
Mr S O Littorin**	-

*Resigned from the Company on 10 November 2020

** Joined the Board on 10 November 2020

The Directors believe that the Board, as a whole, has a broad range of commercial and professional skills, enabling it to discharge its duties and responsibilities effectively and that the Non-Executive Directors have a sufficient range of experience and skills to enable them to provide the necessary guidance, oversight and advice for the Board to operate effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

The Board annually reviews the appropriateness and opportunity for continuing professional development, whether formal or informal. The Directors also endeavour to ensure that their knowledge of best practices and regulatory developments is continually up to date by attending relevant seminars and conferences.

The Directors consider that the Company and Board are not yet of a sufficient size for a full Board evaluation to make commercial and practical sense. Therefore, the Board accepts that the Company does not comply with this aspect of the QCA Code, although in the frequent Board meetings/calls, the Directors can discuss any areas where they feel a change would be beneficial for the Company, and the Company Secretary remains on hand to provide impartial advice. As the Company grows, it intends to expand the Board and, with expansion, re-consider the need for a formal Board evaluation.

Advisers

ONE Advisory Limited has been contracted by the Company to act as Company Secretary and has been given the responsibility for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, including assistance with Board and shareholder meetings and Market Abuse Regulations ("MAR") compliance. ONE Advisory Limited also supports the Board in its development of the Company's corporate governance responsibilities, assisting with the Company's application of the QCA Code and amendments in relation to AIM Rule 26.

The Company's Nomad is consulted on all matters and all Directors have access to independent professional advice, if required.

Neither the Board nor its Committees have sought external advice on a significant matter.

Culture

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Directors are also aware that the tone and culture set by the Board will greatly affect all aspects of the Company. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. The Company seeks to provide effective communication through Interim and Annual Reports, along with Regulatory News Service announcements and trading updates on the Company's website, www.beowulfmining.com. Shareholders can also sign up to receive news releases directly from Beowulf by email. Beowulf also maintains a dialogue with shareholders through formal meetings such as the AGM, which provides an opportunity to meet, listen and present to shareholders, other than when COVID-19 restrictions prohibit this. The Company is open to receiving feedback from key stakeholders, and will take action where appropriate. They key contact for shareholder liaison is the CEO, Kurt Budge. Information on the Investor Relations section of the Group's website **(www.beowulfmining.com)** is kept updated and contains details of relevant developments, presentations and other key information.

A large part of the Company's activities is centred upon an open and respectful dialogue with shareholders, contractors, regulators and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does.

The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company has close ongoing relationships with a broad range of its stakeholders such as local tribes and adjacent landowners and provides them with the opportunity to raise issues and provide feedback to the Company. The Company works closely with the communities in which it operates, sharing its plans and ideas for the projects being developed, and listening to any concerns and addressing any issues raised. Beowulf remains firmly committed to the responsible development of a modern, sustainable and innovative mining operation in partnership with the local community.

Audit Committee

The Audit Committee comprises Chris Davies and Sven Otto Littorin, who chairs the Committee. The Audit Committee is responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting the auditor and reviewing audit reports relating to the accounts. The Audit Committee meet as and when required, at appropriate times in the reporting and audit cycle. The Audit Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility.

The Board notes that additional information supplied by the Audit Committee has been disseminated across the whole of this Annual Report, rather than included as a separate Committee Report.

Remuneration Committee

The Remuneration Committee comprises Chris Davies and Sven Otto Littorin, who chairs the Committee, and meets as required. The Committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of shareholders and the performance of the Company. A Remuneration Committee Report is included on page 39.

Independent Auditor's Report

Opinion on the financial statements

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards 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.

We have audited the financial statements of Beowulf Mining Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the Company statement of financial position, the consolidated statement of changes in equity, the Company statement of changes in equity, the consolidated statement of cash flows, the Company statement of cash flows and the notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining, challenging and assessing the Group and Parent Company's base case cash flow forecasts and underlying assumptions which have been approved by the Board.
- Reviewing licence agreements to confirm that committed expenditure is appropriately included in forecasts.
- Obtaining, reviewing and challenging Management's reverse stress testing analysis to determine the point at which cash becomes negative and considered whether such scenarios, including significant increases in supplier costs and exploration expenditures were reasonably possible given the level of financing obtained during the year, the potential impacts of Covid-19

and the present level of uncertainty. This included considering the Group's experience of the pandemic to date and the extent and likelihood of any future events required to break liquidity.

- Discussing and seeking views from the Directors on the potential impacts of Covid-19 including their assessment of risks and uncertainties relating to the Group's operations and geographic bases.
- Comparing the Group's actual results for the year ended 31 December 2020 to the planned budget for 2020 to assess the quality of Management's budgetary process.
- Performing retrospective analysis on the planned capital expenditure and forecast operating and exploration cash expenditure included, in the prior year going concern assessment, to 2020 actuals.
- Reviewing and assessing funding assumptions in the going concern model. We agreed a sample of recent share issuances to underlying source documentation such as bank receipts and share certificates.
- Reviewing and considering the adequacy of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	64% (2019: 75%) of Group loss before tax 48% (2019: 31%) of Group total assets		
Key audit matters		2020	2019
	Carrying value of exploration asset	✓	✓
	Accounting treatment and consolidation of Vardar Minerals Limited	N/A	✓
Materiality	*Group financial statements as a whole* £180,000 (2019: £171,000) based on 1.5% (2019: 1.5%) of total assets. *Parent company standalone financial statements* £135,000 (2019: £132,000) capped at 75% of Group materiality (2019: capped at 75% of Group materiality).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We determined that there were three significant components and all of these were subject to a full scope audit (one in Sweden, one in Kosovo and the Parent Company).

The audit of the Swedish significant component was performed in Sweden by a local audit firm. The audit of the Kosovan significant component, the Parent Company and the Group consolidation were performed in the United Kingdom by the Group audit team. The Group audit team performed additional procedures in respect of certain of the significant risk areas that represented Key Audit Matters in addition to procedures performed by the Swedish component auditor.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures performed by the Group audit team.

Our involvement with component auditors

For the work performed by the Swedish component auditor, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our work on and interactions with the Swedish component auditors included the following:

- Providing detailed Group reporting instructions to the Swedish component auditor, which included the significant areas to be covered by the audit (including areas that were considered to be a key audit matter as detailed above). The instructions also set out the information to be reported to the Group audit team.
- Being actively involved, as a Group team, in the direction and supervision of the Swedish component audit performed by the Swedish component auditor and ensuring that as a Group team we were involved in the finalisation of audit findings and the determination of conclusions drawn.
- Reviewing the Swedish component auditor's work papers remotely, and attending clearance meetings for the Swedish component.
- Performing additional work on the area considered to be a key audit matter at Group level.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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. We have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	Carrying value of exploration assets (Please refer to Note 7)
	The Group's total exploration assets at 31 December 2020 were £11.4m (2019: £10m). This class of asset is the most significant to the statement of financial position. Due to the judgements required in assessing potential triggers for impairment this is considered to be a key audit matter. Management have assessed exploration & evaluation assets for impairment triggers under IFRS 6 and concluded that no triggers existed at the year-end.
	How the scope of our audit addressed the key audit matter
	Our work in connection with the indicators of impairment assessment included the following: • Performing a review of Management's assessment of impairment triggers for exploration assets under IFRS 6. • Verifying a sample of capitalised costs to source documentation such as invoice or supplier contracts and assessing the nature of the costs capitalised under the accounting policy to evaluate whether they met the capitalisation criteria under IFRS 6 and evidence intention to spend on the assets. • Holding discussions with Management and reviewing relevant correspondence with the Swedish licencing authorities around the status of the Kallak exploitation concession award. • For the other licences reviewing correspondence with the Finnish, Kosovan and Swedish licencing authorities to determine whether there are any indications that licences have not been kept in good standing during the period under review and therefore whether there is a risk of the licences not being renewed. • Reviewing disclosures made by management in the financial statements and annual report in respect of the uncertainties relating to the award of the Kallak concession. **Key observations:** Based on the work performed nothing has come to our attention which suggests that there are unidentified triggers for impairment not considered by Management.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020	**2019**	**2020**	**2019**
Materiality	£180,000	£171,000	£135,000	£132,000
Basis for determining materiality	1.5% of total assets		Restricted to 75% of Group materiality	
Rationale for the benchmark applied	Total Assets was determined as an appropriate basis as the principal focus of the Group, remains fundamentally focussed on exploration activities in Sweden, Finland and Kosovo and as such total assets are considered to be the most significant determinant of the Group's performance considered by users of the financial statements.		Restricted at 75% (2019: 75%) of Group materiality given the assessment of the components' aggregation risk.	
Performance materiality	£135,000	£128,000	£101,000	£90,000
Basis for determining performance materiality	Performance materiality was set at 75% of the above materiality level reflecting our understanding gained from previous years' audits and considering the level of adjustments arising in the prior year audit.		Performance materiality was set at 75% of the above materiality level reflecting our understanding gained from previous years' audits and considering the level of adjustments arising in the prior year audit.	

Component materiality

We set materiality for each component of the Group from £35,000 to £110,000 dependent on the size and our assessment of the risk of material misstatement of that component (based on either 75% of Group materiality or 1.5% of total assets). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated and to sufficiently address aggregation risk.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3,600 (2019: £3,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	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 Report of the Directors 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We obtained an understanding of the legal and regulatory framework applicable to the Group. We considered the associated mining, environmental and taxation laws and regulations of Sweden to be the most relevant to the audit given the Geographical areas of focus of the Group.

We assessed compliance with these laws and regulations through:

- Discussion with the management;
- Testing the financial statement disclosures to supporting documentation;
- Making enquiries of Management as to whether there was any correspondence from regulators in so far as the correspondence related to the Financial Statements.
- Reviewing correspondence relating to the status of the Kallak licence application.
- Ensuring that the Swedish component auditor involved tax specialists from their local to evaluate the component's compliance with relevant local tax legislation considered of most significance to the Group's operations.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered areas of the financial statements subject to elevated potential fraud risks.

Our procedures included:

- Addressing the risk of management override of controls by performing targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, for example unusual journal entries to exploration assets and cash.
- Assessing areas of the financial statements which include judgment and estimates, as set out in note 1 to the financial statements and in the key audit matters noted above.
- Testing consolidation entries to confirm their validity.
- Obtaining an understanding of the laws and regulations applicable to the Group.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anne Sayers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
14 May 2021

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

Consolidated Income Statement

	Note	2020 £	2019 £
CONTINUING OPERATIONS			
Administrative expenses		(1,005,547)	(904,666)
Impairment of exploration costs		(98,799)	(10,720)
Share based payment expense		-	(119,720)
Gain on step acquisition	9	-	563,431
OPERATING LOSS		(1,104,346)	(471,675)
Finance costs	3	(203,576)	(410)
Finance income	3	594	6,298
Grant income		12,637	37,080
LOSS BEFORE TAX		(1,294,691)	(428,707)
Tax expense	5	-	-
LOSS FOR THE YEAR		(1,294,691)	(428,707)
Loss attributable to:			
Owners of the parent		(1,128,512)	(267,000)
Non-controlling interests	14	(166,179)	(161,707)
		(1,294,691)	(428,707)
Loss per share attributable to the ordinary equity holder of the parent:			
Basic and diluted (pence)	6	(0.19)	(0.04)

The notes on pages 62 to 100 form part of these financial statements

Consolidated Statement of Comprehensive Income

	Note	2020 £	2019 £
LOSS FOR THE YEAR		(1,294,691)	(428,707)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange losses arising on translation of foreign operations		854,020	(794,299)
		854,020	(794,299)
TOTAL COMPREHENSIVE LOSS		(440,671)	(1,223,006)
Total comprehensive loss attributable to:			
Owners of the parent		(294,716)	(1,037,811)
Non-controlling interests	14	(145,955)	(185,195)
		(440,671)	(1,223,006)

The notes on pages 62 to 100 form part of these financial statements

Consolidated Statement of Financial Position

	Note	2020 £	2019 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7	11,371,916	10,011,494
Property, plant and equipment	8	145,094	86,998
Loans and other financial assets	10	5,468	5,212
Right-of-use asset	11	1,937	7,324
		11,524,415	10,111,028
CURRENT ASSETS			
Trade and other receivables	12	1,566,848	167,261
Cash and cash equivalents	13	4,329,414	1,124,062
		5,896,262	1,291,323
TOTAL ASSETS		17,420,677	11,402,351
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	15	8,281,751	6,022,446
Share premium	17	24,684,737	20,824,009
Capital contribution reserve	17	46,451	46,451
Share based payment reserve	17	732,185	732,185
Merger reserve	17	137,700	137,700
Translation reserve	17	(457,272)	(1,291,068)
Accumulated losses	17	(17,083,185)	(15,781,161)
		16,342,367	10,690,562
Non-controlling interests	14	394,113	326,555
TOTAL EQUITY		16,736,480	11,017,117
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	538,772	242,885
Grant Income	19	143,399	134,877
Lease liability	20	2,026	7,472
TOTAL LIABILITIES		684,197	385,234
TOTAL EQUITY AND LIABILITIES		17,420,677	11,402,351

The financial statements were approved and authorised for issue by the Board of Directors on 14 May 2021 and were signed on its behalf by: Mr K Budge - Director Company Number 02330496

The notes on pages 62 to 100 form part of these financial statements

Company Statement of Financial Position

	Note	2020 £	2019 £
ASSETS			
NON-CURRENT ASSETS			
Investments	9	2,077,988	1,697,988
Loans and other financial assets	10	9,341,315	8,989,451
Office Equipment		1,483	-
		11,420,786	10,687,439
CURRENT ASSETS			
Trade and other receivables	12	1,476,755	23,260
Cash and cash equivalents	13	4,241,426	978,514
		5,718,181	1,001,774
TOTAL ASSETS		17,138,967	11,689,213
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	15	8,281,751	6,022,446
Share premium	17	24,684,737	20,824,009
Capital contribution reserve	17	46,451	46,451
Share based payment reserve	17	732,185	732,185
Merger reserve	17	137,700	137,700
Accumulated losses	17	(17,168,118)	(16,298,859)
TOTAL EQUITY		16,714,706	11,463,932
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	280,862	90,404
Grant income	19	143,399	134,877
TOTAL LIABILITIES		424,261	225,281
TOTAL EQUITY AND LIABILITIES		17,138,967	11,689,213

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 £869,259 (2019: Loss £763,430).

These financial statements were approved and authorised for issue by the Board of Directors on 14 May 2021 and were signed on its behalf by:

Mr K Budge - Director

Company Number 02330496

The notes on pages 62 to 100 form part of these financial statements

Consolidated Statement of Changes in Equity

	Note	Share capital £	Share premium £	Merger reserve £	Capital contribution reserve £
AT 1 JANUARY 2019		5,663,072	19,266,271	137,700	46,451
Loss for the year		-	-	-	-
Foreign exchange translation		-	-	-	-
Total comprehensive income		-	-	-	-
TRANSACTIONS WITH OWNERS					
Issue of share capital		357,707	1,642,293	-	-
Cost of issue		-	(93,305)	-	-
Share based payment expense		1,667	8,750	-	-
Issues of shares		-	-	-	-
AT 31 DECEMBER 2019		6,022,446	20,824,009	137,700	46,451
Loss for the year		-	-	-	-
Foreign exchange translation		-	-	-	-
Total comprehensive income		-	-	-	-
TRANSACTIONS WITH OWNERS					
Issue of share capital	15	2,259,305	5,165,060	-	-
Cost of issue	15	-	(1,304,332)	-	-
Issue of shares	9	-	-	-	-
AT 31 DECEMBER 2020		8,281,751	24,684,737	137,700	46,451

The notes on pages 62 to 100 form part of these financial statements

Share based payments reserve	Translation reserve	Accumulated losses	Totals	Non-controlling interest	Totals
£	£	£	£	£	£
612,465	(520,257)	(15,311,933)	9,893,769	(160,587)	9,733,182
-	-	(267,000)	(267,000)	(161,707)	(428,707)
-	(770,811)	-	(770,811)	(23,488)	(794,299)
-	(770,811)	(267,000)	(1,037,811)	(185,195)	(1,223,006)
-	-	-	2,000,000	-	2,000,000
-	-	-	(93,305)	-	(93,305)
119,720	-	-	130,137	-	130,137
-	-	(202,228)	(202,228)	672,337	470,109
732,185	(1,291,068)	(15,781,161)	10,690,562	326,555	11,017,117
-	-	(1,128,512)	(1,128,512)	(166,179)	(1,294,691)
-	833,796	-	833,796	20,224	854,020
-	833,796	(1,128,512)	(294,716)	(145,955)	(440,671)
-	-	-	7,424,365	-	7,424,365
-	-	-	(1,304,332)	-	(1,304,332)
-	-	(173,512)	(173,512)	213,513	40,001
732,185	(457,272)	(17,083,185)	16,342,367	394,113	16,736,480

Company Statement of Changes in Equity

	Note	Share capital	Share premium
		£	£
AT 1 JANUARY 2019		5,663,072	19,266,271
Loss for the year		-	-
Total comprehensive income		-	-
TRANSACTIONS WITH OWNERS			
Issue of share capital	15	357,707	1,642,293
Cost of issue	15	-	(93,305)
Share based payment expense	16	1,667	8,750
AT 31 DECEMBER 2019		6,022,446	20,824,009
Loss for the year		-	-
Total comprehensive income		-	-
TRANSACTIONS WITH OWNERS			
Issue of share capital	15	2,259,305	5,165,060
Cost of issue	15	-	(1,304,332)
AT 31 DECEMBER 2020		8,281,751	24,684,737

The notes on pages 62 to 100 form part of these financial statements

Merger reserve	Capital contribution reserve	Share based payment reserve	Accumulated losses	Totals
£	£	£	£	£
137,700	46,451	612,465	(15,535,429)	10,190,530
-	-	-	(763,430)	(763,430)
-	-	-	(763,430)	(763,430)
-	-	-	-	2,000,000
-	-	-	-	(93,305)
-	-	119,720	-	130,137
137,700	46,451	732,185	(16,298,859)	11,463,932
-	-	-	(869,259)	(869,259)
-	-	-	(869,259)	(869,259)
-	-	-	-	7,424,365
-	-	-	-	(1,304,332)
137,700	46,451	732,185	(17,168,118)	16,714,706

Consolidated Statement of Cash Flows

	Note	2020 £	2019 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(1,294,691)	(428,707)
Depreciation charges	4	35,608	20,971
Share based payment expense		-	119,720
Impairment of exploration costs	4	98,799	10,720
Finance income	3	(594)	(6,298)
Finance cost	3	203,576	410
Grant income		(12,637)	(37,080)
Shares in Lieu		2,806	10,417
Gain on step acquisition		-	(563,431)
Amortisation of right -of -use asset		5,777	4,615
Unrealised foreign exchange (gains) / losses		(12,590)	2,121
		(973,946)	(866,542)
(Increase) in trade and other receivables		(2,203)	(106,009)
Increase in trade and other payables		97,623	14,930
Net cash used in operating activities		(878,526)	(957,621)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	7	(622,501)	(1,304,896)
Purchase of property, plant and equipment	8	(89,436)	(77,615)
Sale of investments	9	-	7
Acquisition of subsidiary / associate	9	-	(500,000)
Cash acquired with subsidiary		-	530,031
Grant receipt		25,796	-
Interest received		594	6,298
Net cash used in investing activities		(685,547)	(1,346,175)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	15	3,827,717	1,906,695
Lease principal	20	(5,840)	(4,467)
Lease interest paid	20	(255)	(410)
Proceeds from borrowings	21	932,309	-
Interest paid on loan and borrowings	21	(93,935)	-
Investment by minority interest	9	40,000	-
Net cash from financing activities		4,699,996	1,901,818
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		3,135,923	(401,978)
Cash and cash equivalents at beginning of year		1,124,062	1,533,232
Effect of foreign exchange rate changes		69,429	(7,192)
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,329,414	1,124,062

The notes on pages 62 to 100 form part of these financial statements

Company Statement of Cash Flows

	Note	2020 £	2019 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(869,259)	(763,430)
Expected credit losses	10	72,069	158,005
Share based payment expense		-	119,720
Shares in Lieu		2,806	10,417
Finance income	3	(594)	(6,298)
Finance cost		203,321	-
Grant income	19	-	(1,425)
Unrealised foreign exchange (gains) / losses		(16,865)	2,121
		(608,522)	(480,890)
(Increase) / decrease in trade and other receivables		(61,415)	1,141
(Decrease) / increase in trade and other payables		(524)	23,443
Net cash used in operating activities		(670,461)	(456,306)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans to subsidiaries		(448,151)	(989,434)
Acquisition of associate / subsidiary	9	-	(500,000)
Interest received		594	6,298
Grant receipt		25,796	-
Financing of subsidiary		(380,000)	(465,000)
Purchase of fixed assets		(1,483)	-
Net cash used in investing activities		(803,244)	(1,948,136)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	15	3,827,717	1,906,695
Proceeds from borrowings		932,309	-
Interest paid		(93,935)	-
Net cash from financing activities		4,666,091	1,906,695
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		3,192,386	(497,747)
Cash and cash equivalents at beginning of year		978,514	1,470,087
Effect of foreign exchange rate changes		70,526	6,174
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,241,426	978,514

The notes on pages 62 to 100 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 2020, the Group had a cash balance of £4.33 million and the Company had a cash balance of £4.24 million.

The Company announced, on 13 August 2020, that it had secured bridge loan financing in Sweden of SEK 12 million (approximately £1.0 million) from Nordic investors. Since 2014, this has been the only divergence from equity capital markets fundraising. The bridging loan demonstrated the availability of alternative financing to the Company and good support from a group of Nordic investors, who went on to underwrite the SDR offer and buy shares via a Private Placement/Directed Issue in the Capital Raising.

On 21 December 2020, the Company closed a fully subscribed Capital Raising of approximately £7.4 million before expenses (approx. SEK 83 million).

Management have prepared cash flow forecasts confident that they are taking all necessary steps to ensure that the Group has the required cash to pursue it strategic objectives, an assertion supported by the significant equity finance raised prior to year end. They have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Management implemented logistical and organisational changes to underpin the Group's resilience to the impact felt by the COVID-19 pandemic, with the key focus being protecting all personnel, minimising the impact on critical work streams and ensuring business continuity. The effect on the economy may impact the Group in varying ways, which could lead to a direct bearing on the Group's ability to generate future cash flows for working capital purposes. The inability to gauge the length of such disruption further adds to this uncertainty. For these reasons, the generation of sufficient operating cash flows remain a risk. Management is closely monitoring commercial and technical aspects of the Group's operations to mitigate risk and is confident that the Group has access to sufficient working capital to continue operations for the foreseeable future.

Basis of preparation

The consolidated financial statements have been prepared in accordance with applicable International Accounting Standards as applied in accordance with the provisions of the Companies Act 2006 ("IAS") and with those parts of the UK Companies Act 2006 applicable to companies reporting under IAS. The policies have been consistently applied to both the parent Company and Group. 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.

Merger relief under s612 of the Companies Act 2006 removes the requirement to credit the share premium account and where the conditions are met, the relief must be applied. However, it allows the investment to be accounted for at the nominal value of the shares issued or the fair value of the consideration. Where the investment is to be recorded at fair value, then the credit will be to the merger relief reserve.

The conditions to qualify for merger relief are:

- the consideration for shares in another company includes issued shares;
- on completion of the transaction, the company issuing the shares will have secured at least a 90% equity holding in the other company.

Merger relief was required to be applied in acquisition of Fennoscandian Resources, in which the Company obtained 100% of the share capital of Fennoscandian for shares issued by the Company. Further details of this acquisition are outlined in note 9.

Prior year restatement

The Company has amended certain prior year comparatives to correctly present amounts in the Company financial statements for the year ended 31 December 2020. The Company determined that a correction of an error was required related to financing of subsidiary amounts totalling £465,000 presented as cash outflows from financing activities, specifically to present these amounts as cash flows from investing activities in the Company statement of cash flows. The cash outflows related to additional investments made in subsidiaries which, in accordance with IAS 7 must be classified as investing activities in the company cash flow statement and not financing as would be the case in the group cash flow statement. As this is a material error, the company is required to correct it retrospectively. This amendment had no other impact on the consolidated and Company financial statements for the year ended 31 December 2020.

New standards, amendments and interpretations

There are several standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Definition of Material)
- IFRS 3 *Business Combinations* (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform (IBOR) reform Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7

The Directors have assessed there to be no material impact of these new accounting standards on the Group financial statements.

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.

A principal source of risk and judgement is that the Exploitation Concession (the “Concession”) for Kallak North will not be awarded. Management maintains that its application for the Concession has satisfied the requirements of the Swedish Minerals Act and Environmental Code. In October 2015, the Mining Inspectorate recommended to the Swedish Government that the Concession be awarded.

The Company’s application for the Concession remained with the Government through 2020, and as such, Swedish authorities other than the Government were not actively engaged in the permitting process.

The Constitutional Committee (“KU”), which has been reviewing the Swedish Government’s handling of the Company’s application for an Exploitation Concession for Kallak North met 26 November 2020 and disclosed in a statement that no viable administrative measures were implemented by the Government for almost three years, resulting in an unacceptable delay.

A month prior to the KU's statement, the Government consulted with United Nations Educational, Scientific and Cultural Organization UNESCO on the Company's application. While the KU's statement will have no bearing on the final decision, the Company believes that once comments are received back from UNESCO a decision will be 'forthcoming', language used by the Minister in September 2019. The Company has been in communication with UNESCO regarding its review of Kallak.

Since the KU statement last November, political parties outside of Government are taking a greater interest in the case and, with the support of our advisers, we continue to inform and educate on the facts about Kallak and dispel the perceptions that exist. It is management's judgement that it is appropriate to remain optimistic about the Government, the decision maker in the application process, awarding a Concession, and therefore Kallak has not been impaired.

Management's judgement is based on several factors: Kallak is ideally situated as a secure and sustainable supply of high-quality iron ore to the growing fossil-free steel making sector powered by renewables in Sweden; it can produce a market leading concentrate of 71.5 per cent iron content; if the Government were to say 'no' they would have said 'no' before now; the Minister for Business, Industry and Innovation, Mr. Ibrahim Baylan is under pressure to take decisions from politicians in his own and other political parties; Sweden's reputation as a mining investment destination is being significantly damaged.

The Åtvidaberg licence is located in the Bergslagen area, southern Sweden. It was renewed during 2019 and now expires on 30 May 2022. Due to COVID-19, the exploration permit is likely to be awarded an additional year to the existing term. The Mining Inspectorate is yet to complete updating its registers and will directly inform each permit holder of the change that applies to their respective permits. As such the extension year, which should extend the term of these licence to 2023, has not been added to the licence 'Valid To' date shown in the Annual Report.

Bergslagen is one of Europe's oldest mining districts and yielded a substantial portion of Sweden's mineral wealth in the 1800-1900s, with several large mines and hundreds of smaller mines producing copper, zinc, lead, gold, silver, and iron ore. Current operating mines in the area include Boliden's Garpenberg and Lundin Mining's Zinkgruvan. Most of southern 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. During the year, no fieldwork was undertaken, due to COVID-19 restrictions and as the Company's exploration focus moved to Kosovo. However, the Company is now in discussions with potential partners to continue with the next stage of work on the licence. At the date of this report the Company will have two years remaining on the term of the licence.

Another source of risk and judgement is that the renewal applications for exploration licences at Mitrovica and Viti have been accepted but are yet to receive final approval.

As original permits were awarded around the same time, all renewals have become due around the same time. Vardar's renewal applications have also coincided with a changeover in personnel on the board of The Independent Commission for Mines and Minerals ("ICMM"), the permitting authority in Kosovo. The ratification of a new board has been delayed because of parliamentary elections, which took place in February 2021. It is hoped that the new board will soon be confirmed.

Management considers that in each case licence conditions have been met and applications or renewals have been accepted by receiving authorities. Management have included this in the principal risks and estimates due to material nature of these licences.

The Board has considered the impairment indicators as outlined in the Company's accounting policies and having done so is of the opinion that no impairment provisions are required for Company's main assets, Kallak, Aitolampi, Mitrovica, Viti and Åtvidaberg (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 is the judgment exercised in assessing the control of the Vardar Group and in respect of the Parent Company the recoverability of the loans made to subsidiary undertakings.

The Company was assessed to have control on the 1 April 2019 as the Company was able to exercise power over Vardar through the appointment of Kurt Budge as Investor Director. The investment agreement conveyed substantive rights to the Investor Director and through the combination of the increased shareholding and these rights the Company was able to affect the overall returns of the investee.

The Parent Company, in applying the ECL model under IFRS 9, must make assumptions when implementing the forward-looking ECL model. This model is required to be used to assess the intercompany loans receivable from subsidiaries for impairment.

Estimations were made regarding the credit risk of the counterparty and the underlying probability of default in each of the credit loss scenarios. The scenarios identified by management included Production, Divestment, Fire-sale and Failure. These scenarios considered technical data, necessary licences to be awarded, the Company's ability to raise finance, and ability to sell the project. A reasonable change in the probability weightings of 3% would result in further impairment of £573,813 (2019 :£552,193).

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

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

Basis of consolidation

(i) Subsidiaries and acquisitions

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and 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.

(ii) Equity accounted investees

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not the ability to control or jointly control those policies. Investments in Associates are accounted for using the equity method of accounting.

Equity method of accounting – Associates

Under the equity method of accounting, interests in Associates are initially recognised at cost. The Group's share of Associates post acquisition profit / loss after tax and other comprehensive income/ loss are presented as the 'Share of results of Equity accounted investees' in the Group income statement and Group Statement of other comprehensive income respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment less any impairment in value. Where indicators of impairment arise, the carrying amount of the Associate is tested for impairment by comparing its recoverable amount against its carrying value. Unrealised gains arising from transactions with Associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are similarly eliminated to the extent that they do not provide evidence of impairment of a transferred asset. When the Group's share of losses in an Associate equal or exceeds its interest in the Associate, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the Associate. When the Group ceases to have or significant influence, any retained interest in the entity is re-measured to its fair value at the date when or significant influence is lost with the change in carrying amount recognised in the income statement. The Group also reclassifies any movements previously recognised in other comprehensive income to the income statement.

(iii) 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.

Business combinations

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 aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss.

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. Each asset is evaluated annually at 31 December, to determine whether there are any indications that impairment exists.

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 include:

- 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. Once the decision for investment is taken, the assets will be assessed for impairment and to the extent that these are not impaired, will be classified as development assets. At the point that production commences these assets will be depreciated.

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.

Office equipment	-	25 per cent on reducing balance
Computer equipment	-	25 per cent on reducing balance
Motor Vehicles	-	20 per cent on reducing balance
Machinery and equipment	-	20 to 25 per cent on reducing balance

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

Leased assets

When entering into a contract the Group assesses whether or not a lease exists. A lease exists if a contract conveys a right to control the use of an identified asset under a period of time in exchange for consideration. Leases of low value items and short-term leases (leases of less than 12 months at the commencement date) are charged to the profit or loss on a straight-line basis over the lease term in administrative expenses.

The Group recognises right-of-use assets at cost and lease liabilities at the lease commencement date based on the present value of future lease payments. The right-of-use assets are amortised on a straight-line basis over the length of the lease term. The lease liabilities are recognised at amortised cost using the effective interest rate method. Discount rates used reflect the incremental borrowing rate specific to the lease.

Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

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.

Financial assets

The Group classifies all of its financial assets at amortised cost. Management determines the classification of its financial assets at initial recognition.

Amortised cost

The Group's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime ECLs. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Expected credit loss provisions for other receivables are recognised based a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Financial liabilities

The Group's financial liabilities include trade and other payables and loans and borrowings. All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost, using the effective interest method.

Loans and borrowings with settlement terms that that fail the fixed for fixed criterion will be treated as a containing an embedded derivative liability, where this is recognised the loan value will be allocated between the derivative value and the loan residual which will be carried amortised cost. Loans and borrowings are derecognised when the obligation is extinguished.

Unless otherwise indicated, the carrying values of the Group's financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

Fair value

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments and other assets and liabilities for which the fair value was used:

- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

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 substantively 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.

Notes to the Consolidated Financial Statements

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.

Government grant

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are recorded gross in the Group income statement. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

2. EMPLOYEES AND DIRECTORS

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Wages and salaries	443,288	464,889	212,848	225,270
Bonus	8,725	2,193	-	-
Social security costs	72,964	70,152	25,617	24,547
Other benefits	16,110	19,180	13,874	13,809
	541,087	556,414	252,339	263,626

Directors' remuneration is as follows:

	2020	2019
	£	£
Directors emoluments, including salary and fees	226,721	255,155
Shares settled expenses	-	10,417
Social security costs	25,617	24,547
Share-based payments	-	76,403
	252,338	366,522

Further details pertaining to Directors remuneration can be found in the Directors' remuneration report on page 39.

The remuneration of the highest paid Director who served during the year was £150,000 (2019: £151,000)

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

	2020 Group Number	2019 Group Number	2020 Company Number	2019 Company Number
Directors	3	3	3	3
Employees	7	5	-	-

Notes to the Consolidated Financial Statements

3. FINANCE INCOME AND COSTS

	2020 £	2019 £
Finance income:		
Deposit account interest	594	6,298
	594	6,298
Finance costs:		
Interest on lease liabilities	255	410
Interest on lease liabilities	203,321	-
	203,576	410

4. LOSS BEFORE TAX AND AUDITOR'S REMUNERATION

a. The loss before tax is stated after charging:

	2020 £	2019 £
Depreciation (note 8)	35,608	20,971
Amortisation of right-of-use assets (note 11)	5,777	4,615
Foreign exchange differences	37,962	2,015
Impairment of exploration costs (note 7)	98,799	10,720

b. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Group's auditor for the audit of the consolidated financial statements	41,162	36,025
Fees payable to the Group auditor for other services:		
- audit of subsidiaries pursuant to legislation	6,000	6,000
- review of quarterly financial statements	2,153	2,135
- tax compliance services	5,300	5,300
	49,615	49,460

5. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2020 or for the year ended 31 December 2019.

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:

	2020 £	2019 £
Loss on ordinary activities before income tax	(1,294,691)	(428,707)
Tax thereon at a UK corporation tax rate of 19% (2019 – 19%)	(245,992)	(81,454)
Effects of:		
Expenses not deductible for tax purposes	-	25,400
Non-assessable fair value loss / (gain)	-	(107,052)
Tax losses not recognised	170,386	108,710
Losses of overseas subsidiaries to be carried forward	75,606	54,396
	-	-

The main rate of UK corporation tax during the year ended 31 December 2020 was 19.00 per cent (2019: 19 per cent). The Group has estimated UK losses of £12,480,867 (2019: £11,584,097) and foreign losses of £4,130,263 (2019: £3,732,339) available to carry forward against future trading profits. The value of unrecognised deferred tax assets in respect of the UK losses amounts to £3,120,217 (2019: £2,200,978) and foreign losses of £779,586 (2019:£655,800). The Directors believe that due to the uncertainty over when the tax losses will be utilised it is appropriate not to recognise a deferred tax asset at this time.

6. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share at 31 December 2020 was based on the loss attributable to ordinary shareholders of £1,128,512 (2019: £267,000) and a weighted average number of Ordinary Shares outstanding during the year ended 31 December 2020 of 607,815,562 (2019: 585,102,740) calculated as follows:

	2020 £	2019 £
Loss attributable to ordinary shareholders	(1,128,512)	(267,000)

Weighted average number of ordinary shares

	2020 Number	2019 Number
Number of shares in issue at the beginning of the year	585,102,740	554,716,045
Effect of shares issued during year	20,712,822	30,386,695
Weighted average number of ordinary shares in issue for the year	607,815,562	585,102,740

The diluted earnings per share is identical to the basic loss per share as the exercise of warrants and options would be anti-dilutive.

7. INTANGIBLE ASSETS - Group

	Exploration Costs £
COST	
At 1 January 2019	8,285,547
Additions for the year	1,304,896
Additions arising from the step-up in interest in Vardar	1,203,685
Foreign exchange movements	(771,914)
Impairment	(10,720)
At 31 December 2019	10,011,494
At 1 January 2020	10,011,494
Additions for the year	612,062
Foreign exchange movements	847,159
Impairment	(98,799)
At 31 December 2020	11,371,916
NET BOOK VALUE	
At 31 December 2020	11,371,916
At 31 December 2019	10,011,494

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

	2020 £	2019 £
Kallak	7,533,388	6,675,124
Åtvidaberg	393,303	345,978
Ågåsjiegge	-	15,568
Pitkäjärvi	1,333,114	1,058,078
Joutsijärvi	-	19,095
Karhunmaki	41,017	24,078
Rääpysjärvi	47,053	39,905
Mervivaara	36,965	17,846
Polvela	-	31,316
Tammijärvi	-	24,278
Mitrovica	1,387,030	1,243,194
Viti	600,046	517,034
	11,371,916	10,011,494

Total Group exploration costs of £11,371,916 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 £68,508 was recorded against the projects for services provided by the Directors during the year (2019: £91,231).

Notes to the Consolidated Financial Statements

The Company's application for the Concession remained with the Government through 2020, and as such, Swedish authorities other than the Government were not actively engaged in the permitting process.

The Constitutional Committee ("KU"), which has been reviewing the Swedish Government's handling of the Company's application for an Exploitation Concession for Kallak North met 26 November 2020 and disclosed in a statement that no viable administrative measures were implemented by the Government for almost three years, resulting in an unacceptable delay.

A month prior to the KU's statement, the Government consulted with United Nations Educational, Scientific and Cultural Organization UNESCO on the Company's application. While the KU's statement will have no bearing on the final decision, the Company believes that once comments are received back from UNESCO a decision will be 'forthcoming', language used by the Minister in September 2019. The Company has been in communication with UNESCO regarding its review of Kallak.

Since the KU statement last November, political parties outside of Government are taking a greater interest in the case and, with the support of our advisers, we continue to inform and educate on the facts about Kallak and dispel the perceptions that exist. It is management's judgement that it is appropriate to remain optimistic about the Government, the decision maker in the application process, awarding a Concession, and therefore Kallak has not been impaired.

Management's judgement is based on several factors: Kallak is ideally situated as a secure and sustainable supply of high-quality iron ore to the growing fossil-free steel making sector powered by renewables in Sweden; it can produce a market leading concentrate of 71.5 per cent iron content; if the Government were to say 'no' they would have said 'no' before now; the Minister for Business, Industry and Innovation, Mr. Ibrahim Baylan is under pressure to take decisions from politicians in his own and other political parties; Sweden's reputation as a mining investment destination is being significantly damaged.

The Åtvidaberg licence is located in the Bergslagen area, southern Sweden. It was renewed during 2019 and now expires on 30 May 2022. Due to COVID-19, the exploration permit is likely to be awarded an additional year to the existing term. The Mining Inspectorate is yet to complete updating its registers and will directly inform each permit holder of the change that applies to their respective permits. As such the extension year, which should extend the term of these licence to 2023, has not been added to the licence 'Valid To' date shown in the Annual Report.

Bergslagen is one of Europe's oldest mining districts and yielded a substantial portion of Sweden's mineral wealth in the 1800-1900s, with several large mines and hundreds of smaller mines producing copper, zinc, lead, gold, silver, and iron ore. Current operating mines in the area include Boliden's Garpenberg and Lundin Mining's Zinkgruvan. Most of southern 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. During the year, no fieldwork was undertaken, due to COVID-19 restrictions and as the Company's exploration focus moved to Kosovo. However, the Company is now in discussions with potential partners to continue with the next stage of work on the licence. At the date of this report the Company will have two years remaining on the term of the licence.

Another source of risk and judgement is that the renewal applications for exploration licences at Mitrovica and Viti have been accepted but are yet to receive final approval.

As original permits were awarded around the same time, all renewals have become due around the same time. Vardar's renewal applications have also coincided with a changeover in personnel on the board of The Independent Commission for Mines and Minerals ("ICMM"), the permitting authority in Kosovo. The ratification of a new board has been delayed because of parliamentary elections, which took place in February 2021. It is hoped that the new board will soon be confirmed.

Management considers that in each case licence conditions have been met and applications or renewals have been accepted by receiving authorities. Management have included this in the principal risks and estimates due to material nature of these licences.

The Board has considered the impairment indicators as outlined in the Company's accounting policies and having done so is of the opinion that no impairment provisions are required for Company's main assets, Kallak, Aitolampi, Mitrovica, Viti and Åtvidaberg

In the year, an impairment provision of £98,799 was recognised for project costs capitalised for projects at Ågåsjiegge, Joutsijärvi, Polvela and Tammijärvi (31 December 2019: Sala £10,270) on the basis that no further exploration would be carried out on those projects. In respect of the other license areas, no impairment indicators have been identified. The impairment is charged as an expense and included within the consolidated income statement.

8. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Office Equipment £	Motor Vehicles £	Machinery & equipment £	Total £
COST				
At 1 January 2019	6,383	47,424	28,635	82,442
Additions	941	33,873	42,801	77,615
Foreign exchange movements	-	(3,590)	(2,431)	(6,021)
Step acquisition of subsidiary	-	13,300	1,689	14,989
At 31 December 2019	7,324	91,007	70,694	169,025
DEPRECIATION				
At 1 January 2019	6,383	35,041	24,935	66,359
Charge for year	-	8,014	12,957	20,971
Foreign exchange movements	-	(2,926)	(2,377)	(5,303)
At 31 December 2019	6,383	40,129	35,515	82,027

GROUP

	Office Equipment £	Motor Vehicles £	Machinery & equipment £	Computer Equipment £	Total £
COST					
At 1 January 2020	7,324	91,007	70,694	-	169,025
Additions	1,525	4,911	81,501	1,499	89,436
Disposals	(6,383)	-	-	-	(6,383)
Foreign exchange movements	145	6,291	4,271	-	10,707
At 31 December 2020	2,611	102,209	156,466	1,499	262,785
DEPRECIATION					
At 1 January 2020	6,383	40,129	35,515	-	82,027
Charge for year	1,115	14,592	19,882	16	35,606
Disposals	(6,383)	-	-	-	(6,383)
Foreign exchange movements	4	3,549	2,889	-	6,442
At 31 December 2020	1,119	58,270	58,286	16	117,691
NET BOOK VALUE					
At 31 December 2020	1,492	43,939	98,180	1,483	145,094
At 31 December 2019	941	50,878	35,179	-	86,998

PARENT

	Office Equipment £	Computer equipment £	Total £
COST			
At 1 January 2019	6,383	-	6,383
At 31 December 2019	6,383	-	6,383
DEPRECIATION			
At 1 January 2019	6,383	-	6,383
At 31 December 2019	6,383	-	6,383

PARENT

	Office Equipment £	Computer Equipment £	Total £
COST			
At 1 January 2020	6,838	-	6,838
Additions	-	1,499	1,499
Disposals	(6,838)	-	(6,838)
At 31 December 2020	-	1,499	1,499
DEPRECIATION			
At 1 January 2020	6,838	-	6,838
Charge for year	-	16	16
Disposals	(6,838)	-	(6,838)
At 31 December 2020	-	16	16
NET BOOK VALUE			
At 31 December 2020	-	1,483	1,483
At 31 December 2019	-	-	-

9. INVESTMENTS

	Group Shares in associates	Shares in subsidiaries	Company Shares in associates	Total[1]
	£	£	£	£
COST				
At 1 January 2019	230,120	482,988	250,000	963,108
Change in control of associate	(230,120)	250,000	(250,000)	(230,120)
Acquisitions	-	965,000	-	965,000
At 31 December 2019	-	1,697,988	-	1,697,988
At 1 January 2020	-	1,697,988	-	1,697,988
Acquisitions	-	380,000	-	380,000
At 31 December 2020	-	2,077,988	-	2,077,988

[1]Please note the total presented above is the Group and Company position combined.

Investments in associates are initially recorded at cost plus any equity share of post-acquisition profit or loss after-tax. An investment in an associate is largely determined as an associate based on voting interests and presence on the investee's board of directors.

Further investments in the share capital of subsidiaries of Vardar constitute additions during the year of £380,000 (2019: £965,000) to increase the Company's shareholding in Vardar from 41.5% to 46.1%. The share capital of Vardar was reclassified to share capital of subsidiaries following control being obtained on 1 April 2019. The basis for control was assessed on the on the Group's ability to exercise power over Vardar through combination of the increased investment in Vardar and the appointment of the CEO as Investor Director, which conveyed substantive rights to direct the actions of Vardar that would ultimately affect the returns of the investee.

The remaining 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 2.1 million ordinary shares was issued on the anniversary of 24 months from the date of the acquisition, in accordance and 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 2.1 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.

There was no consideration recognised in the financial statements for the year ended 31 December 2020, (2019: £Nil). No further share based payment charge for the consideration shares was capitalised to intangibles in the year ended 31 December 2020. (2019: £Nil).

Step up interest in Vardar Minerals

The investment in Vardar gives the Company exposure to a portfolio of exploration licences situated in the European Tertiary calc-alkaline Tethys Arc most notable for its lead-zinc-silver mining districts, as well as recent porphyry related copper and gold discoveries. Further investments were made during the year ended 31 December 2020,

- On 17 February 2020, a further investment of £50,000 was made to increase the Company's shareholding in Vardar from 41.5% to 42.2%.

- On 25 March 2020, a further investment of £30,000 was co-invested with the existing shareholders of Vardar not resulting any change in the ownership interest held by the Company.

- On 13 August 2020, a further investment of £300,000 was made to increase the Company's shareholding in Vardar from 42.2% to 46.1%.

Further investments in Vardar have been recognised as an increase to accumulated losses of £173,512 (2019: £202,228).

The Group consists of the following subsidiary undertakings:

Name	Incorporated	Activity	2020 % holding	2019 % holding
Oy Fennoscandian Resources AB	Finland	Mineral exploration	100%	100%
Jokkmokk Iron Mines AB	Sweden	Mineral exploration	100%	100%
Beowulf Mining Sweden AB	Sweden	Mineral exploration	100%	100%
Wayland Copper Limited	UK	Holding company	65.25%	65.25%
Wayland Sweden AB	Sweden	Mineral exploration	(1)(2)65.25%	(1)(2)65.25%
Vardar Minerals Ltd	UK	Mineral exploration	46.1%	41.5%
Vardar Geoscience BVI Ltd	British Virgin Islands	Holding company	(1)(2)46.1%	(1)(2)41.5%
Vardar Geoscience Kosovo Ltd	Kosovo	Mineral exploration	(1)(2)41.4%	(1)(2)39.4%
Vardar Minerals Europe 1 EOOD	Bulgaria	Mineral exploration	(1)(2)46.1%	(1)(2)41.5%
Vardar Minerals Europe 2 EOOD	Bulgaria	Mineral exploration	(1)(2)46.1%	(1)(2)41.5%
Vardar Minerals Europe 3 EOOD	Bulgaria	Mineral exploration	(1)(2)46.1%	(1)(2)41.5%

(1) Indirectly held

(2) Effective interest

The registered offices of the subsidiary undertakings as are follows:

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	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
Vardar Minerals Limited	35-39 Maddox Street, London, England
Vardar Geoscience BVI Ltd	Trident Chambers, P.O. Box 146, Wickhams Cay 1 Road Town, British Virgin Islands
Vardar Geoscience Kosovo L.L.C	Rifat Berisha 23/10, Pristina, Republic of Kosovo
Vardar Minerals Europe 1 EOOD	Sofia 1606, Krasno selo district, 30-32 Gen.E.I.Totleben Blvd, Fl 2
Vardar Minerals Europe 2 EOOD	Sofia 1606, Krasno selo district, 30-32 Gen.E.I.Totleben Blvd, Fl 2
Vardar Minerals Europe 3 EOOD	Sofia 1606, Krasno selo district, 30-32 Gen.E.I.Totleben Blvd, Fl 2

Details on the non-controlling interest in subsidiaries is given in note 14.

10. LOANS AND OTHER FINANCIAL ASSETS

GROUP

	Financial fixed assets £
At 1 January 2019	5,462
Foreign exchange movements	(243)
Disposals	(7)
At 31 December 2019	5,212
At 1 January 2020	5,212
Foreign exchange movements	256
Disposals	-
At 31 December 2020	5,468

COMPANY

	Loans to group undertakings £	Financial assets £	Total £
At 1 January 2019	8,219,433	2,784	8,222,217
Advances made in the year	925,239	-	925,239
ECLs in year	(158,005)	-	(158,005)
At 31 December 2019	8,986,667	2,784	8,989,451
At 1 January 2020	8,986,667	2,784	8,989,451
Advances made in the year	423,933	-	423,933
ECLs in year	(72,069)	-	(72,069)
At 31 December 2020	9,338,531	2,784	9,341,315

Reconciliation of provisions against receivables arising from lifetime ECLs

	31 December 2019 £	Current year movement £	31 December 2020 £
ECLs	*1,841,504*	*72,069*	*1,913,573*
Total provision arising from ECLs	*1,841,504*	*72,069*	*1,913,573*

The Directors have also assessed the cash flow scenarios of the above considerations. Estimations were made regarding the credit risk of the counterparty and the underlying probability of default in each of the credit loss scenarios. The scenarios identified by management included Production, Divestment, Fire-sale and Failure. These scenarios considered technical data, necessary licences to be awarded, the Company's ability to raise finance, and ability to sell the project. The ECL to the 31 December 2020 represents the 12 month expected credit loss, as underlying credit risk of the intercompany loans has not changed since initial recognition.
A reasonable change in the probability weightings of 3% would result in further impairment of £573,813 (2019 :£552,193).
Further details of the transactions in the year are shown within related parties disclosure note 23.

Notes to the Consolidated Financial Statements

11. RIGHT OF USE ASSETS

	Group 2020 £ Buildings	Group 2019 £ Buildings
COST		
At 1 January	11,903	-
Additions	-	12,060
Foreign exchange movements	659	(157)
At 31 December	12,562	11,903
AMORTISATION		
At 1 January	4,579	-
Charge	5,777	4,744
Foreign exchange movements	269	(165)
At 31 December	10,625	4,579
NET BOOK VALUE		
At 31 December	1,937	7,324

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 £	**2019 £**	**2020 £**	**2019 £**
Other receivables	1,428,491	94,653	1,392,081	-
VAT	123,638	60,819	69,955	11,471
Prepayments and accrued income	14,719	11,789	14,719	11,789
	1,566,848	167,261	1,476,755	23,260

Included in other receivables is a deposit of £17,854 held by Finnish regulatory authorities (2019: £16,927).

Included in other receivables of both the Group and the Company is a balance of £1,392,081 funds due to be received for shares issued (2019: £nil). This amount should be considered as a reconciling item to the working capital movements included the operating line of the statement of cashflows, as this amount has been offset against the gross cash proceeds received from the issue of shares.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 £	**2019 £**	**2020 £**	**2019 £**
Bank accounts	4,329,414	1,124,062	4,241,426	978,514
	4,329,414	1,124,062	4,241,426	978,514

14. NON-CONTROLLING INTERESTS

The Group has material non-controlling interests arising from its subsidiaries Wayland Copper Limited and Vardar Minerals Limited. These non-controlling interests can be summarised as follows;

	2020 £	2019 £
Balance at 1 January	326,555	(160,587)
Total comprehensive loss allocated to NCI	(145,955)	(185,195)
Effect of step acquisitions	213,513	672,337
Total	394,113	326,555

	2020 £	2019 £
Wayland Copper Limited	(161,677)	(161,291)
Vardar Minerals Limited	555,790	487,846
Total	394,113	326,555

Wayland Copper Limited is 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 Wayland's relevant figures is set out below:

	2020 £	2019 £
Administrative expenses	(1,471)	(1,537)
Loss after tax	(1,471)	(1,537)
Loss allocated to NCI	(512)	(534)
Other comprehensive income allocated to NCI	126	(169)
Total comprehensive loss allocated to NCI	(386)	(703)
Current assets	4,391	5,385
Current liabilities	(469,644)	(469,531)
Net liabilities	(465,253)	(464,146)
Non-Controlling Interest	(161,677)	(161,291)

Notes to the Consolidated Financial Statements

Vardar Minerals Limited, a 46.1% per cent owned subsidiary of the Company that has material non-controlling interests ("NCI").

Summarised financial information reflecting 100 per cent of the Vardar Minerals relevant figures is set out below:

	2020 £	2019 £
Administrative expenses	284,281	(248,836)
Loss after tax	284,281	(248,836)
Loss allocated to NCI	(165,668)	(161,173)
Other comprehensive income allocated to NCI	20,099	(23,319)
Total comprehensive loss allocated to NCI	(145,569)	(184,492)
Current assets	101,029	118,289
Non-Current assets	1,047,809	746,097
Current liabilities	(134,829)	(30,462)
Net Assets	1,014,009	833,924
Non-Controlling Interest	555,790	487,846

15. SHARE CAPITAL

	2020 Number	2020 £	2019 Number	2019 £
Allotted, called up and fully paid				
At 1 January	602,244,672	6,022,446	566,307,254	5,663,072
Issued for cash	225,841,752	2,258,417	35,770,751	357,707
Issued for fees	88,800	888	166,667	1,667
At 31 December	828,175,224	8,281,751	602,244,672	6,022,446

All issues are for cash unless otherwise stated.

	Number	Share Capital £	Share Premium £	Total £
At 1 January 2019	566,307,254	5,663,072	19,266,271	24,929,343
1 April - Issue of new shares[1]	13,636,364	136,363	575,917	712,281
16 April – Issue of new shares[2]	8,695,652	86,957	387,817	474,774
13 October - Issue of fee shares	166,667	1,667	8,750	10,417
24 October - Issue of new shares[3]	9,090,909	90,909	383,911	474,820
13 November - Issue of new shares[4]	4,347,826	43,478	201,342	244,820
At 31 December 2019	602,244,672	6,022,446	20,824,009	26,846,455

[1]Includes issue costs of £37,719
[2]Includes issue costs of £25,226
[3]Includes issue costs of £25,180
[4]Includes issue costs of £5,180

	Number	Share Capital £	Share Premium £	Total £
At 1 January 2019	602,244,672	6,022,446	20,824,009	26,846,455
21 December - Issue of new shares[1]	225,841,752	2,258,417	3,858,810	6,117,227
21 December - Issue of fee shares	88,800	888	1,918	2,806
At 31 December 2019	828,175,224	8,281,751	24,684,737	32,966,488

[1]Includes issue costs of £1,304,322

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 2020

On 21 December 2020, the Company announced the completion of a rights issue in Sweden, open offer and subscription to issue a combined 197,599,345 ordinary shares of £0.01 to raise £6,500,000 before expenses. As part of this offering, director fees outstanding to Chris Davies of £2,806 (2019:nil) were settled in shares.

On 21 December 2020, the Company announced a fully subscribed placing to 28,331,207 ordinary shares at £0.01 raising £900,000 before expenses.

Shares issued in 2019

On 1 April 2019, the Company announced a subscription for 13,636,364 new ordinary shares of £0.01 each to raise £750,000 before expenses.

On 16 April 2019, the Company announced a subscription for 8,695,652 new ordinary shares of £0.01 each to raise £500,000 before expenses.

The Company announced, on 13 October 2019, that as a part of compensation for 500,000 options at 4p forgone Kurt Budge was to be issued was issued 166,667 new ordinary shares with a commensurate value of approximately £10,417 being the equivalent to the economic value of the lapsed options.

The Company announced, on 24 October 2019, a subscription for 9,090,909 new ordinary shares of £0.01 each to raise £500,000.

The Company announced, on 8 November 2019, a subscription for 4,347,826 new ordinary shares of £0.01 each to raise £250,000.

16. SHARE-BASED PAYMENTS

During the year ended 31 December 2020, no options were granted (2019: 9,250,000). The options outstanding as at 31 December 2020 have an exercise price in the range of 1.66 pence to 12.00 pence (2019: 1.66 pence to 12.00 pence) and a weighted average remaining contractual life of 1 years, 242 days (2019: 2 years, 98 days).
The share-based payments expense for the options for the year ended 31 December 2020 was £nil (2019: £119,720).
The fair value of share options granted and outstanding were measured using the Black-Scholes model, with the following inputs:

	2019	2017	2015
Fair value at grant date	1.15p	8.73p	0.708p
Share price	5.65p	14.28p	1.25p
Exercise price	7.35p	12.00p	1.66p
Expected volatility	51.89%	70.00%	170.90%
Option life	5 years	5 years	5 years
Risk free interest rate	0.718%	0.25%	1.58%

The options issued will be settled in the equity of the Company when exercised and have a vesting period of one year from date of grant.

Reconciliation of options in issue	**Number 2020**	**Weighted average exercise price (£'s) 2020**	**Number 2019**	**Weighted average exercise price (£'s) 2019**
Outstanding at 1 January	22,750,000	0.060	14,000,000	0.051
Lapsed during the year	-	-	(500,000)	0.040
Granted during the year	-	-	9,250,000	0.074
Outstanding at 31 December	22,750,000	0.060	22,750,000	0.074
Exercisable at 31 December	22,750,000	0.060	22,750,000	0.060

During the year ended 31 December 2020 there was a modification to 9,000,0000 options held by Kurt Budge, to extend the life of these options by 1 year. The effect on fair value of the extension of the options was de minimis.

No warrants were granted during the year (2019: Nil).

17. 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.
Capital contribution reserve	The capital contribution reserve represents historic non-cash contributions to the Company from equity holders.
Share-based payment 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.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Current:				
Trade payables	406,503	151,332	175,855	19,593
Social security and other taxes	13,197	11,623	8,994	8,648
Other payables	15,149	10,619	100	100
Accruals	103,923	69,311	95,913	62,063
	538,772	242,885	280,862	90,404

Included in other trade and other payables of both the Group and the Company is a balance of £190,984 due be to paid for issue costs relating to share issues (2019: £nil). This amount should be considered as a reconciling item to the working capital movements included the operating line of the statement of cashflows, as this amount decreases the cash issue costs displayed in the cashflow statement rather than presenting as a movement in working capital.

19. DEFERRED INCOME

	2020	2019
	£	£
Grants	**143,399**	**134,877**

The grant held as deferred income represents the first tranche receipt of €215,619 (£192,205) received on the 30 July, and additional advances of €28,750 (£25,796) made during the year ended 31 December 2020 in accordance with the Company's participation of Project Pacific, a component of the European Union's Horizon 2020 program. The funds held are to be utilised in further exploration work, training of staff and travel costs. The grant period was initially contracted to end on the 31 May 2021 at which point any excess of funding over expenses submitted will required to be refunded, due to COVID-19 pandemic this deadline has been extended to the 30 November 2021. In the year ended 31 December 2020, The Group released £11,444 (2019: £20,379) of the liability directly against intangible asset additions and recognised £12,637 as income (2019: £37,080).

Also, in the year ended 31 December 2020, Fennoscandian has received funds from Business Finland of £15,350 (2019: £109,687). The funds were paid in accordance with the Groups participation in Project Green minerals, which specified a Grant up to a total of €161,000 and had an initial grant period from 1 January 2018 to 31 December 2019, this was extended to 30 April 2020 due to the COVID-19 pandemic. The amounts incurred are sought for reimbursement following the expenses being incurred, as a result no liability has been recorded in the financial statements for unallocated funds. The amounts outlined above have been netted against intangible asset additions.

In addition, Fennoscandian is also participating in project titled "BATCircle - the development of a Finland-based Circular Ecosystem of Battery Metals". BATCircle is part of the European Union ("EU") Strategic Energy Technology Programme. The project is being administered by Business Finland and a 50 per cent contribution to a budget of Euros 224,900. The funds will be used for graphite purification and spheroidization test work, and the further assessment of Fennoscandian's graphite for battery applications. The funding is released by the administrator as incurred and the action runs from the 1 January 2019 to 31 January 2020. In the year to 31 December 2020, £11,462 (2019: £13,916) has been netted against intangible asset additions.

20. LEASE LIABILITY

NATURE OF LEASING ACTIVITIES

Vardar Geoscience leases buildings located in Str. Highway Prishtina Mitrovice Village Shupkove No.2, Kosovo.

	31 Dec 2020 No.	31 Dec 2019 No.
Number of active leases	1	1

Lease liability at year end

	31 Dec 2020 £	31 Dec 2019 £
Non-current		
Lease liability	-	1,914
	-	1,914
Current		
Lease liability	2,026	5,558
	2,026	5,558
Total lease liability	2,026	7,472

Analysis of lease liability

	Lease liability £
At 1 January 2020	7,472
Additions	-
Interest expense	256
Lease payments	(6,095)
Foreign exchange movements	393
At 31 December 2020	2,026

	Lease liability £
At 1 January 2019	-
Additions	12,144
Interest expense	410
Lease payments	(4,875)
Foreign exchange movements	(207)
At 31 December 2019	7,472

Notes to the Consolidated Financial Statements

ANALYSIS OF GROSS VALUE OF LEASE LIABILITIES

Maturity of the lease liabilities is analysed as follows:

	31 Dec 2020 £
Within 1 year	2,026
Later than 1 year and less than 5 years	-
After 5 years	-
At 31 December 2020	2,026

The total cash outflow for leases in 2020 was £6,095 (2019: £4,875).

21. BORROWINGS

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Opening balance	-	-	-	-
Funds advanced	932,309	-	932,309	-
Finance costs	203,321	-	203,321	-
Effect of FX	20,802	-	20,802	-
Funds repaid	(1,156,432)	-	(1,156,432)	-
	-	-	-	-

On 13 August 2020, the Company secured a Bridging loan from Nordic investors of SEK 12 million (approximately £1.0 million) The Loan has a fixed interest rate of 1.5 percent per stated 30-day period during the duration. Accrued interest is non-compounding. The Loan had a commitment fee of 5 per cent and a Maturity Date of 15 January 2021.

Beowulf had the option to repay the Loan and accrued interest at any time prior to the Maturity Date. If the Loan and accrued interest was not repaid by 15 February 2021, at the latest, the Creditors had the right to convert the Loan and accrued interest into Swedish Depository Receipts ("SDR") at a price per SDR calculated with a 10 per cent discount on the volume weighted average price of the SDR during the preceding 5 trading days to the conversion decision.

The Loan was accounted for using an amortised cost using an effective rate of interest. The conversion feature contained within the loan is considered an embedded derivative and was not assessed to be significant given the available inputs. The Loan was fully repaid on 17 December 20, following successful capital raisings.

See Consolidated Statement of Cash Flows on page 60.

22. CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

GROUP

	Leases	Borrowings	Total
	£	£	£
Opening balance 1 January 2020	7,472	-	7,472
Cash movements			
Drawdown of borrowings		932,309	932,309
Interest paid		(93,935)	(93,935)
Repayment of loan principal		(1,062,497)	(1,062,497)
Lease payments	(6,095)	-	(6,095)
Total	1,377	(224,123)	(222,746)
Non-cash movements			
Finance cost	255	203,321	203,576
Effect of FX	394	20,802	21,196
Closing balance 31 December 2020	2,026	-	2,026

GROUP

	Leases	Total
	£	£
Opening balance 1 January 2019	-	-
Cash movements		
Drawdown of borrowings		
Interest paid		
Repayment of loan principal		
Lease payments	(4,465)	(4,465)
Total	(4,465)	(4,465)
Non-cash movements		
Recognition of right of use lease liabilities	12,144	12,144
Effect of FX	(207)	(207)
Closing balance 31 December 2019	7,472	7,472

In the consolidated and company cashflow statements, the cash repayment of the bridging loan of £1,062,497 has been offset against the gross proceeds from the issue of shares, this is due to the proceeds from the issue of shares being received net of the debt repayment.

23. 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	
At 31 December 2020	**Held at amortised cost**	**Total**	**Held at amortised cost**	**Total**
	£	**£**	**£**	**£**
FINANCIAL ASSETS				
Cash and cash equivalents	4,329,414	4,329,414	4,241,426	4,241,426
Trade and other receivables	1,428,491	1,428,491	1,391,081	1,391,081
Loans to group undertakings	-	-	9,338,531	9,338,531
Other financial assets	5,468	5,468	2,784	2,784
	5,763,373	5,763,373	14,974,822	14,974,822
FINANCIAL LIABILITIES				
Trade and other payables	525,577	525,577	415,270	415,270
Lease liability	2,026	2,026	-	-
	527,603	527,603	415,270	415,270

	Group		Company	
At 31 December 2019	**Held at amortised cost**	**Total**	**Held at amortised cost**	**Total**
	£	**£**	**£**	**£**
FINANCIAL ASSETS				
Cash and cash equivalents	1,124,062	1,124,062	978,514	978,514
Trade and other receivables	94,653	94,653	-	-
Loans to group undertakings	-	-	8,986,667	8,986,667
Other financial assets	5,212	5,212	2,784	2,784
	1,223,927	1,223,927	9,967,965	9,967,965
FINANCIAL LIABILITIES				
Trade and other payables	231,262	231,262	81,756	81,756
Lease liability	7,472	7,472	-	-
	238,734	238,734	81,756	81,756

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	
	2020	2019	2020	2019
	£	£	£	£
Net foreign currency financial (liabilities)/assets:				
Swedish Krona	4,173,822	14,007	4,181,711	4,861
Euro	49,019	24,036	38,196	(104,723)
Total net exposure	4,222,841	38,043	4,219,907	(98,862)

Sensitivity analysis

A 10 per cent strengthening of sterling against the Group's primary currencies at 31 December 2020 would have increased/(decreased) equity and profit or loss by the amounts shown below:

GROUP

	Profit or Loss		Equity	
	2020	2019	2020	2019
	£	£	£	£
Swedish Krona	(417,382)	(1,401)	(417,382)	(1,401)
Euro	(4,902)	(2,404)	(4,902)	(2,404)
Total	(422,284)	(3,805)	(422,284)	(3,805)

COMPANY

	Profit or Loss		Equity	
	2020	2019	2020	2019
	£	£	£	£
Swedish Krona	(418,171)	(486)	(418,171)	(486)
Euro	(3,820)	10,472	(3,820)	10,472
Total	(421,991)	9,986	(421,991)	9,986

A 10 per cent weakening of sterling against the Group's primary currencies at 31 December 2020 would have an equal but opposite effect on the amounts shown above

ii) 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.

Notes to the Consolidated Financial Statements

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. The Group's interest-bearing financial liabilities were the bridging loan finance entered into and repaid during the year; these were at a fixed rate of interest.

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. An assessment of the expected credit loss arising on intercompany loans is detailed in note 10.

The amounts used by the subsidiaries are as follows:

	2020	2019
	£	£
Jokkmokk Iron Mines AB	7,407,215	7,241,375
Beowulf Sweden AB	358,947	361,773
Oy Fennoscandian Resources AB	1,572,369	1,383,519
Gross	9,338,531	8,986,667

Reconciliation of provisions against receivables arising from lifetime ECLs

	31 December 2019	Current year movement	31 December 2020
	£	£	£
ECLs	1,841,504	72,069	1,913,573
Total provision arising from ECLs	1,841,504	72,069	1,913,573

The Directors have also assessed the cash flow scenarios of the above considerations. Estimations were made regarding the credit risk of the counterparty and the underlying probability of default in each of the credit loss scenarios. The scenarios identified by management included Production, Divestment, Fire-sale and Failure. These scenarios considered technical data, necessary licences to be awarded, the Company's ability to raise finance, and ability to sell the project. The ECL to the 31 December 2020 represents the 12 month expected credit loss, as underlying credit risk of the intercompany loans has not changed since initial recognition. A reasonable change in the probability weightings of 3% would result in further impairment of £573,813 (2019 :£552,193).

i) Commodity price risk

The principal activity of the Group is the exploration for iron ore in Sweden, graphite in Finland and other prospective minerals in Kosovo, 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..

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 material borrowings and primarily have trade and other payables with a maturity of less than one year, the only exception being the lease liability per note 20. 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.

GROUP NET WORKING CAPITAL	2020 £	2019 £
Cash and cash equivalents	4,329,414	1,124,062
Trade payables	(538,771)	(242,885)
Grant income	(143,399)	(134,877)
Net cash	3,647,244	746,300
Total equity	16,736,480	11,219,345
Net cash to equity ratio	21.79%	6.65%

Notes to the Consolidated Financial Statements

24. SEGMENT 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 three countries, Sweden, Finland and Kosovo, 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.

2020	Sweden £	Finland £	Kosovo £	UK £	Total £
Licence and Exploration	7,927,185	1,457,655	1,906,001	81,075	11,371,916
Other non-current assets	2,995	5,659	70,317	73,528	152,499
Current assets	34,383	41,917	71,687	5,748,275	5,896,262
Liabilities	(42,172)	(68,595)	(53,274)	(520,155)	(684,196)
Finance Income	-	-	-	594	594
Finance Costs	-	-	(255)	(203,321)	(203,576)
Impairment	18,879	79,920	-	-	98,799
Expenses	(69,891)	(146,460)	(180,660)	(910,911)	(1,307,922)
Loss for the year	(66,320)	(137,394)	(180,660)	(910,317)	(1,294,691)
Total comprehensive loss	679,410	(63,324)	(193,935)	(862,822)	(440,671)

2019					
Licence and Exploration	7,036,672	1,214,595	1,578,300	181,897	10,011,494
Other non-current assets	2,711	9,700	75,689	11,434	99,534
Current assets	46,339	124,145	48,346	1,072,493	1,291,323
Liabilities	(28,453)	(86,702)	(29,979)	(240,100)	(385,234)
Finance Income	-	-	-	6,298	6,298
Finance Costs	-	-	-	(410)	(410)
Impairment	-	10,720	-	-	10,720
Expenses	(110,224)	(55,221)	(167,513)	(702,148)	(1,035,106)
Loss for the year	(109,538)	(20,252)	395,918	(694,835)	(428,707)
Total comprehensive loss	(795,503)	(89,186)	405,782	(744,099)	(1,223,006)

25. RELATED PARTY DISCLOSURES

Transactions with subsidiaries

During the year, cash advances of £170,257 (2019: £286,045) were made to Jokkmokk Iron Mines AB and incurred costs of £68,130 that were paid on behalf by the Company (2019: £131,948). The advances are held on an interest free inter-group loan which has no terms for repayment. At the year end the inter-Group loan amounted to £7,407,215 (2019: £7,241,374).

Beowulf Sweden AB received cash advances of £nil (2019: £72,290) and settled had net settled costs with the Company of (£2,512) (2019: £5,057). 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 £358,947 (2019: £361,772).

OY Fennoscandian AB received cash advances of £206,513 (2019: £479,458) and incurred costs of £19,936 (2019: £31,296) 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 £1,572,369 (2019: £1,383,518).

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 at entity level, but this is subsequently eliminated on consolidation.

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. An assessment of the expected credit loss arising on intercompany loans is detailed in note 21.

Transactions with other related parties

Key management personnel include all Directors and those who have authority and responsibility for planning, directing and controlling the activities of the entity, the aggregate compensation paid to key management personnel of the Company is set out below.

	2020 £	2019 £
Short-term employee benefits (including employers' national insurance contributions)	435,353	489,727
Bonus	4,608	-
Post-retirement benefits	26,710	30,364
Share based payments	-	105,359
Share settled expense	-	10,417
Insurance	874	809
	467,545	636,676

Mr Blomqvist incurred a charge of £nil with respect of remaining unvested options (2019: £22,976).
Mr Blomqvist is considered key management personnel in his role as the Group's Exploration Manager.

Key management personnel commitments and shareholdings

On 6 November 2020, included in the Company's announcement regarding a partially secured capital raising, certain of the Directors and Rasmus Blomqvist agreed to subscribe for Open Offer Shares and Additional Subscription Shares. The Company received pre-subscription commitments totalling approximately £87,000 regarding the Open Offer and Additional Subscription from certain members of the Directors and Rasmus Blomqvist, as below:

Name	Number and type of New Ordinary Shares	Number of Ordinary Shares at the end of the period
Kurt Budge	Open Offer Shares 906,159	3,322,585
Christopher Davies	Additional Subscription Shares 88,800	88,800
Rasmus Blomquist	Open Offer Shares 1,743,750	6,393,750

26. EVENTS AFTER THE REPORTING DATE

On 8 February 2021, Beowulf invested £200,000 in Vardar Minerals limited, increasing the Company's investment in Vardar from 46.1% to 48.4%.

On 12 March 2021, Fennoscandian has recently signed a Memorandum of Understanding ("MoU") with Epsilon Advance Materials Limited ("EAMPL"). The MoU enables Fennoscandian to build its downstream capability, collaborating with a strong and innovative technology/processing partner, and for EAMPL to firmly establish itself in Finland, as a market-entry point for supplying pre-cursor anode material into Europe. The MoU addresses the development of a strategic processing hub for both natural flake and recycled graphite to be located in Finland.

Notes

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Mr C Davies
Mr S O Littorin

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