ANNUAL REPORT AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

FOR

BEOWULF MINING PLC

GROUP OF COMPANIES

Contents

Company Information

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Chairman's
Statement

I am pleased to present the Company's results for the year ended 31 December 2011. Beowulf currently has ten exploration projects in Northern Sweden primarily prospecting for iron, copper, gold and uranium. The results show that the group incurred a loss before and after taxation for the year of £832,235 (2010: loss of £474,395) reflecting our significant drilling programmes and ongoing exploration activities. Accordingly, no dividend is proposed for the year ended 31 December 2011.

Although 2011 began well for the natural resource sector, the sizeable indebtedness problems and economic woes of a number of European states coupled with fears of a prolonged return to recession, led to a sharp retracement in the share price performance of a large number of AIM listed resource stocks by the year end. Against a backdrop of extremely challenging global macroeconomic conditions, the Company endeavoured throughout the year under review to clearly convey its strategy and demonstrate the quality and breadth of its asset portfolio. Notable achievements were a virtual doubling of the Company's independently assessed JORC compliant iron ore resources to approximately 270 million tonnes ("Mt") and successful fundraisings of, in aggregate, approximately £7.7 million (gross) to facilitate the ongoing exploration and development of the Company's key projects and provide additional working capital.

Kallak iron ore project

With the initial drilling at Kallak last year proving up an interesting prospect, Beowulf focused its funds and work programme efforts on progressing both of the Kallak iron ore deposits in 2011. The Company remains confident of the sizeable potential tonnage present in its Kallak project area and, in October 2011, outlined plans for an extensive two phase infill drilling programme of up to, in aggregate, 57,000 metres in order to further define the size of the deposits and seek to move the project towards JORC Measured status as quickly as possible.

Further to the completion of a successful drilling campaign at the Kallak project during the first half of 2011, the Company announced, in early November 2011, a maiden independent JORC compliant Inferred Resource estimate of 131.6Mt grading at 28% iron (Fe) completed by GeoVista on the northern part of Kallak, together with an exploration target, from geomagnetic data modeling, for the southern area of approximately 200Mt to 230Mt grading at 31% iron (Fe). As a consequence, the Company approximately doubled its pre-existing JORC compliant Inferred Resource of iron ore of 140Mt grading at 39.1% iron (Fe) in respect of its Ruoutevare deposit completed by Runge Limited in August 2008.

Regrettably, due to insufficient data being available, GeoVista was unable to prepare a JORC compliant resource estimate for the southern part of Kallak which is now expected to be compiled following completion of the next comprehensive two phase drilling programme referred to above. The new drilling programme will include denser spacing between individual drill sections and drill holes and cover the entire extension and width of the Kallak deposits.

The year under review has not been without its challenges and setbacks. Due to an inadvertent administrative oversight, the Company's new 2011/2012 work plan for the Kallak project was not filed with the Swedish Mining Inspectorate prior to drilling, by its wholly owned subsidiary, Jokkmokk Iron Mines AB (formerly named Beowulf Mining AB), commencing in early December 2011, which constituted a technical infringement of the Swedish Minerals Act. Accordingly, the Company subsequently duly filed the requisite work plan to rectify the situation and voluntarily suspended its new drilling campaign in late December 2011 pending completion of the required consultation process with the local communities and the Mining Inspector.

Whilst the relevant landowners consented, objections were raised by the local Saami community to the work plans notified in respect of the Company's Kallak nr1 and Parkijaure nr2 permit areas seeking to delay the new drilling campaign to May 2012 due to seasonal reindeer herding. No such objections have been raised in the past. Drilling operations at both Kallak North and Kallak South have therefore remained suspended pending completion of the Company's ongoing consultation process with the local Saami community and the Mining Inspector. This situation is not unique to the Company with the Board being aware of plans filed by several other mineral exploration companies in northern Sweden being similarly affected, as well as orchestrated campaigns against other industries, such as wind farming, seeking to prevent or reduce economic development in northern Sweden. The Company is using its best endeavours to reach a satisfactory resolution with the affected Saami tribes to enable drilling activity to re-start as soon as practicable. In the mean time, Beowulf is continuing with its efforts to liaise with all the relevant local authorities, communities and affected stakeholders in order to maximise awareness of the Company's plans, clearly communicate the anticipated benefits of its Kallak development proposals and address any concerns arising.

The Company is also in contact with the relevant Swedish Governmental authorities, responsible for the planning and development of new infrastructure projects, and work continues on Beowulf's Environmental Impact Study, which is a key component of the expert studies required for obtaining an exploitation (mining) licence for the Kallak project in due course.

Most recently, in January 2012, the Company appointed Micon International Co. Limited ("Micon") as a technical consultant to work alongside GeoVista on the Kallak project and provide, inter alia, recommendations for future drilling to seek to upgrade the resource, generation of a preliminary mineral resource model and compilation of operating parameters and costs to facilitate a Whittle pit analysis of a preliminary Kallak North block model. We are seeking to combine further definition of the project's estimated resource with the commencement of an initial design plan for an open pit mine. Micon has subsequently visited the project site in Sweden and reviewed the available data, and a programme of additional metallurgical testing is anticipated to commence in due course.

Ballek joint venture copper-gold project

Beowulf remains the operator of the Ballek copper-gold project, alongside our joint venture partner, Energy Ventures Limited. In October 2011, the Company announced that it had signed a letter of intent with Dala Prospektering AB to carry out additional drilling, subject to the requisite funding being available, at the project site. A total of approximately 3,000m of drilling is planned to test deep lying sourced iron oxide copper gold ("IOCG") targets of Olympic Dam type, as previously defined by deep sensing geophysical surveys carried out by GeoVista. This drill programme is preliminarily scheduled to commence in late 2012.

Other projects

As the Company has continued to concentrate its resources on its wholly owned key iron ore assets, its remaining portfolio awaits further development. Other attractive portfolio assets include the Grundträsk gold project, the Geddaur uranium, gold and silver permits, the Manakjaure uranium permit and the Munka licence area in northern Sweden, which covers approximately 800 hectares and hosts Sweden's largest, drill confirmed deposit of molybdenum. The Company's sizeable and diverse asset portfolio serves to reduce its risk exposure to any single class of commodity, but necessitates a disciplined approach to allocate management's time to those projects where the Board believes that it can deliver the best potential returns for the Company's shareholders.

The Board nevertheless plans to develop more of the Company's portfolio in the future, and continues to look for additional assets to complement and extend the existing attractive portfolio and to seek potential future joint venture development partners.

Corporate

Despite a challenging and volatile economic backdrop, the Company successfully raised approximately £1 million (gross) in early May 2011 and, on 16 November 2011, announced the successful completion of its largest fundraising to date, raising approximately a further £6.7 million (gross) via a placing and subscription with new UK and Swedish institutions and other investors. The net proceeds of these fundraisings will, *inter alia,* enable the Company to progress its planned additional drilling campaign at Kallak and, later in 2012, at its Ballek copper-gold joint venture project. The Board believes that capital markets will continue to prove difficult in 2012 and that it was therefore prudent to secure funding when the opportunity arose and was delighted with the continued interest shown in the Company and its future potential.

In late June 2011, the Company subscribed for £250,000 of additional secured convertible loan notes due 2017 in PLUS quoted Agricola Resources Plc ("Agricola"), a mining exploration company, to assist in meeting its general working capital requirements. Agricola's ordinary shares currently remain suspended from trading on PLUS, pending completion of negotiations and the availability of funding to effect a potential reverse takeover of certain overseas mineral assets.

The Company's extremely volatile share price performance during the year has been disappointing, however the Board continues to believe in Beowulf's fundamental strengths and the future economic potential of its high quality and diverse project portfolio, and will continue to endeavour to create long term shareholder value and unlock the full potential of the Company's assets. We continue to place great importance on our investor relations strategy and have spent considerable time and effort to ensure that Beowulf's potential is communicated to existing and potential new investors in both the UK and Sweden. A number of investor presentations have taken place in both countries during 2011 with further presentations planned for 2012.

Outlook

2011 proved to be a difficult and challenging year for the Company. The Board nevertheless continues to maintain a positive outlook for the potential of Beowulf's flagship iron ore projects, whilst recognising the constraints of the current global macroeconomic environment and other external factors beyond its control.

Beowulf has an enviable pipeline of development opportunities spanning a whole spectrum of different commodities. Our strategy remains to focus our efforts and work programmes on iron ore and we look forward to recommencing our ambitious drilling campaign on Kallak at the earliest opportunity to further demonstrate its considerable potential.

I would like to take this opportunity to once again thank all of our employees, contractors, advisers and shareholders for their continuing support and look forward to reporting progress over the remainder of 2012.

Clive Sinclair-Poulton
Executive Chairman
29 February 2012

Review
Of Operations And Activities

Sweden continues to be by far the largest iron ore (mostly magnetite) producer in the EU and one of the leading producers of base and precious metals. It provides modern, efficient and well-established infrastructure via roads, rail and water and benefits from excellent power accessibility/ affordability, a highly skilled mining and exploration workforce, extremely low sovereign risk and a very strong mining culture built up over many decades. Swedish iron ore production is currently all located in the Norrbotten County of Northern Sweden at the Kiruna and Malmberget deep underground mines owned by the state company, Luossavaara-Kiirunavaara AB ("LKAB").

Beowulf has been active in Northern Sweden since 2003 and focuses its activities on areas with high exploration potential for iron, copper, gold, molybdenum and uranium located in the Västerbotten and Norrbotten counties. Since 2008, the Company has achieved consistently positive exploration results, and predominantly focused its operations, on its Kallak iron ore project, located approximately 80km to the southwest of LKAB's large Malmberget mine, and has been progressing the Kallak North and Kallak South deposits into a major iron ore discovery.

During 2011, the Kallak iron ore project has continued to be the major focus of the Company's activities. The Kallak deposits are presently at a developing stage with a maiden independent JORC Code compliant Inferred Resource estimate obtained for Kallak North during the year and an extensive, more closely spaced, drilling programme planned for 2012 aimed at achieving an improved classification for Kallak North and a maiden JORC Code compliant resource estimate for Kallak South. In accordance with the Swedish Minerals Act, the Company's wholly owned subsidiary, Jokkmokk Iron Mines AB ("JIMAB") (formerly named Beowulf Mining AB), is currently preparing a formal application to be made to the relevant authorities for a proposed test mining programme at the Kallak North deposit in summer 2012, as well as seeking to transfer its Kallak nr1 licence from an exploration into an exploitation licence.

Exploration licences: Beowulf and its subsidiaries currently hold 20 exploration permits, together with one registered permit application in northern Sweden, as set out in the table below:

Licence Name/ Mineral(s)	Licence ID	Area (sq. km)	Date Granted	Valid Until
Arjeplog Region:				
Ballek nr2 (Cu, Au)*	2005:069	38.00	21/04/2005	21/04/2012†
Ballek nr3 (Cu, Au)*	2005:098	37.94	24/05/2005	24/05/2012†
Ballek nr4 (Cu, Au)*	2005:202	22.00	29/09/2005	29/09/2012
Ballek nr5 (Cu, Au)*	2007:101	12.00	27/03/2007	27/03/2012†
Geddaur nr1 (Mo)	2007:130	12.00	23/04/2007	23/04/2012†
Geddaur nr2 (Mo)	2007:155	19.50	29/05/2007	29/05/2012†
Geddaur nr3 (Cu)	2007:209	100.00	02/08/2007	02/08/2012
Munka nr10 (Mo)	2009:178	8.00	03/11/2009	03/11/2012
Jokkmokk Region:				
Majves nr3 (Cu)	2009:019	7.15	21/01/2009	21/01/2012†
Manakjaure nr1 (U)	2007:133	5.44	24/04/2007	24/04/2012†
Parkijaure nr3 (Fe)**	2011:135	4.17	11/08/2011	11/08/2014
Parkijaure nr2 (Fe)**	2008:020	2.85	18/01/2008	18/01/2013
Kallak nr1 (Fe)**	2006:197	5.00	28/06/2006	28/06/2012†
Kallak nr2 (Fe)**	2011:097	22.19	22/06/2011	22/06/2014
Kallak nr3 (Fe)**	Registered as 2012:518	5.56	21/04/2012µ	

Licence Name/ Mineral(s)	Licence ID	Area (sq. km)	Date Granted	Valid Until
Jokkmokk Region:				
Parkijaure nr4 (Fe)**	2011:1340	15.71	04/05/2012	04/05/2015
Nautijaur nr1 (Fe, Cu)**	2011:1143	106.19	04/05/2012	04/05/2015
Ruoutevare nr1 (Fe, Ti)**	2006:085	8.50	21/03/2006	21/03/2012†
Kiruna Region:				
Riikalahti nr1 (Ni, Cu)	2008:023	11.50	22/01/2008	22/01/2012†
Skellefte Mining District:				
Grundträsk nr6 (Au)	2010:161	15.53	04/11/2010	04/11/2013
Grundträsk nr4 (Au)	2008:107	20.63	28/05/2008	28/05/2013
TOTAL		**479.86**		

Notes:
* - the Ballek permits are held by the joint venture company, Wayland Copper Limited, in which Beowulf has a 50 per cent. ownership interest and is the operator.
** - held by Beowulf's wholly owned subsidiary, JIMAB.
† - extension application has been lodged and approval is pending.
µ - date of permit application.

The exploration permits are governed by the Swedish Minerals Act (1991:45) (the "Act"), which was subject to amendments in 1993, 1998 and 1999. The Act accords that an exploration permit is granted for an initial period of three years from the date of issue and can be subsequently extended for up to a further three years by way of annual extensions. The period of validity of the permit can be further extended by up to four years on special grounds and, on exceptional grounds, a further maximum of five years. The longest possible period of validity for any one permit is therefore fifteen years, after which an application for an exploitation concession must be made. An exploitation concession is granted for a period of twenty-five years and can be extended by ten years at a time without application if regular exploitation is in progress when the period of validity expires. Further information on the permits can be obtained from the Mining Inspectorate of Sweden (Bergsstaten) in Luleå (Varvsgatan 41, S-972 32, Luleå, Sweden, www.bergsstaten.se).

A brief description of Beowulf's principal project areas and activities is provided below.

Kallak iron ore project

Location

The Kallak iron ore project is located in the Jokkmokk municipality north of the Arctic Circle approximately 40km west of Jokkmokk city centre and approximately 80km southwest of the major iron ore mining centre of Malmberget in the Norrbotten County in Northern Sweden. The 2.3 billion tonnes Kiruna iron ore mine, the world's second largest underground mine, is located approximately 120km to the northeast. LKAB owns and operates the Kiruna and Malmberget iron ore mines, as well as the Luleå-Malmberget-Kiruna-Narvik railway route used to transport iron concentrates and pellets.

Licences

With three new licence areas registered during 2011/12, the project now covers a total area of approximately 161.67km2, comprising seven separate licences (Kallak nr1, Kallak nr2, Kallak nr3, Parkijaure nr2, Parkijaure nr3, Parkijaure nr4 and Nautijaur nr1). The project area has been steadily increased since the initial licence, Kallak nr1, was granted to the Company in 2006, with an application for the most recent licence area, Kallak nr3, being registered in April 2012.

All of these licences are held by Beowulf's wholly owned subsidiary, JIMAB. Tasman Metals Limited, a Canadian company listed on the Toronto stock exchange, retains a 1.5 per cent. net smelter royalty on any future production from the Parkijaure nr2 and Parkijaure nr3 licences further to the terms of their sale to Beowulf in September 2010.

The project area forms a large and potentially new mining province in northern Sweden, preliminarily defined by management as the "Jokkmokk Mining District". This province is host to the major Kallak iron ore deposits, as well as a number of still unexplored prospects in a geological environment with high potential to hold further iron-oxide copper-gold ("IOCG") type deposits.

Area description and accessibility

The Kallak project area comprises forested, low hilly ground close to a main paved road between Kvikkjokk (Ruoutevare) and Jokkmokk. Local infrastructure is excellent with all-weather gravel roads passing through the project area and all parts being easily reached by well used forestry tracks. A major hydroelectric power station with associated electric power-lines is located only a few kilometres to the south east. There are no human settlements within the project area with the closest villages being Björkholmen, about two kilometres to the northwest, and Randijaur about three kilometres to the east. Transit to and from the area may temporarily, in early spring time and late autumn, be affected by the seasonal migrating routes of reindeer belonging to two local Saami tribes. The nearest railway (the so called "Inland Railway Line") passes approximately 40km to the east of the deposits. This railway line is connected at Gällivare with the "Ore Railway Line", which is used by LKAB for delivery of their iron ore material to the Atlantic harbour at Narvik (Norway) or to the Botnian Sea harbour at Luleå (Sweden).

The current principal land use is forestry, with the majority of the ground area being owned by a large local forestry company. Regional vegetation is generally comprised of mature pine, birch and spruce trees. The ground elevation varies between 300 and 450m above sea level in an area of undulating forested or logged ground forming a peninsula surrounded by Lake Parkijaure. The highest point is the Råvvåive hill at 481m located in the south east part of the project area.

Kallak iron ore deposits

Iron mineralisation was first discovered in the Kallak area by the Geological Survey of Sweden ("SGU") in 1947/48. Between 1968 and 1970, detailed ground geophysical surveys were carried out by the SGU over the entire area of interest including closely grid spaced magnetic, gravimetric and electromagnetic measurements. Some limited diamond drilling was also carried out. It was found that two iron ore deposits were present, separated by only a few hundred metres in distance. Located in the same geological structures, recent work by the Company has indicated that the deposits may be connected at depth. They have been defined by the Company as the Kallak North and Kallak South deposits respectively.

The iron ore deposits are outcropping and consist of so called "quartz banded magnetite iron ore type", comprised of fine grained banded magnetite and minor hematite, interlayered with quartz, feldspar and some hornblende. The dominant host rock is a grey, altered volcanite. The deposits occur in a north-south oriented syncline of altered sediments and felsic volcanic rocks of early Proterozoic age within granitic gneisses.

The iron ore deposits, as currently defined by the Company, are up to 300m wide at surface outcrop and located on topographic high ground. The northern deposit has a confirmed length extension of more than one kilometre and the southern deposit has a total length of more than two kilometres. Drilling by the Company has confirmed, in single drill holes, mineralised depth extensions to 250 metres at both deposits. The mineralised structures at both Kallak North and South are almost vertically dipping generally covered by only shallow (<2 metres) of glacial overburden and, as such, are highly amenable to potential open pit mining. Some sections of the Kallak South deposit have, however, been found to be covered by more extensive glacial overburden.

Operations in 2011

Following initial drilling of 3,757.8m at Kallak in 2010, for a total of 32 holes, proving up an interesting prospect, Beowulf focused its funds and work programme efforts on progressing both of the Kallak iron ore deposits in 2011. Further drilling was undertaken during the year and, in early November 2011, the Company announced a maiden independent JORC Code compliant Inferred Resource estimate of 131.6Mt grading at 28% iron (Fe) completed by GeoVista AB ("GeoVista") on the northern part of Kallak, together with an exploration target, from geomagnetic and gravimetric data modeling, for the southern area of approximately 200Mt to 230Mt grading at 31% iron (Fe). As a consequence, the Company approximately doubled its pre-existing JORC Code compliant Inferred Resource of iron ore of 140Mt grading at 39.1% iron (Fe) in respect of its Ruoutevare deposit completed by Runge Limited in August 2008.

Significant additional tonnages of iron ore are anticipated from planned future drilling at Kallak North, as its total north-south length extension is not currently defined. High grade drill core intercepts, located at both the northern and southern ends of the Kallak North deposit, have shown that the iron mineralisation extends well beyond the present drill confirmed extension area. Accordingly, additional drilling at the Kallak North deposit is required during 2012 in order to define the limits of the deposit extension.

Metallurgical bench scale tests, including Davis Tube Recovery ("DTR") tests, were completed in 2010 by MINPRO AB ("MINPRO") of Strassa, Sweden (www.minpro.se) on ore grade material from drill holes on the Kallak North deposit. The tests were directed towards the production of a high grade magnetite pellet feed product for use by potential clients. Traditional treatment of the ore material by fine grinding and wet magnetic separation resulted in a clean magnetite pellet feed product containing 68.0% iron corresponding to a recovery of 85.1%. The head grade ore material contained 39.8% iron, 33.1% SiO2, 0.57% MnO, 0.09% P2O5, 0.10% TiO2 and 0.007% S. Further testing of the Kallak North deposit ore material by MINPRO, using flotation techniques combined with wet magnetic separation, resulted in a final, high grade pellet feed product containing 70.4% iron with low levels of contaminants such as phosphorous, manganese, sulphur and titanium. By general industry standards, this product is considered by Beowulf to be of high commercial quality and of direct potential interest to the international steel market.

In 2011, MINPRO was engaged to conduct similar bench scale metallurgical and DTR tests on ore grade material from Kallak South directed towards the production of a high grade magnetite pellet feed product similar to that obtained from the Kallak North deposit. These tests are continuing as the programme has been expanded to include additional material from Kallak North to assist with the selection of suitable sites for trenches to be sampled in connection with the planned test mining programme, with the results therefore currently expected to be available later this year. Subject to receiving all the necessary regulatory approvals during 2012, pilot scale test mining is currently anticipated to commence in late 2012 or early 2013.

The Company remains confident of the large potential tonnage present in its Kallak project area and in October 2011 outlined plans for an extensive two phase infill drilling programme of up to, in aggregate, approximately 57,000m in order to, *inter alia,* further define the size of the deposits and seek to move the project towards JORC Measured status as quickly as possible. Following more detailed planning and modeling work this programme has now been refined and reduced to up to, in aggregate, approximately 35,000m of intended drilling.

Due to insufficient data being available, GeoVista was unable to prepare a JORC Code compliant resource estimate for the Kallak South deposit, which is now intended to be compiled following completion of the abovementioned comprehensive two phase infill drilling programme. The new drilling programme, planned for 2012, will include denser spacing between individual drill sections and drill holes and will cover the entire extension and width of the Kallak deposits.

Further to an inadvertent administrative oversight, JIMAB commenced the new drill programme in early December 2011 without valid work plans being in place, which constituted a technical infringement of the Swedish Minerals Act. Accordingly, the Company subsequently duly filed and notified the requisite work plans to rectify the situation and voluntarily suspended its new drilling campaign on Kallak pending completion of the required consultation process with the local communities and the Mining Inspector. Whilst all the relevant landowners consented, objections were raised by the local Saami community to the work plans notified in respect of the Company's Kallak nr1 and Parkijaure nr2 permit areas seeking to delay the new drilling campaign to May 2012 due to seasonal reindeer herding. No such objections have been raised in the past. Drilling operations have therefore remained suspended pending completion of the Company's consultation process.

In late April 2012, the Company acknowledged the official notification that it would not be prosecuted by either The Prosecutors Office in Luleå or the Local Prosecutor in Gällivare in respect of the Company's historic work plan infringements, whilst in early May 2012 the Company received confirmation that the Mining Inspectorate would also not be taking any further action or conducting any further investigation into this matter. JIMAB subsequently recently received approval from the Mining Inspectorate for its Kallak nr1 work plan, subject to certain conditions, with drilling recommencing on this permit area in late May 2012. JIMAB intends to file a new work plan shortly in respect of the Parkijaure nr2 permit area as the timetable set out in the original notified work plan has now expired.

Beowulf is committed to working closely with the local communities to seek to minimise the impact of its exploration activities and is continuing with its efforts to liaise with all the relevant local authorities and other affected stakeholders in order to maximise awareness of, and support for, the Company's plans.

Additional work continues on the Environmental Impact Study ("EIS"), which is a key component of the expert studies required under the Act in connection with a planned formal application for the transfer of the existing exploration permits for the Kallak project area into an exploitation or mining licence. The EIS was commissioned in 2011 from the Swedish consulting company, Hifab AB, Umeå which has extensive experience of similar assignments for other mining companies in Northern Sweden. In connection with this work, a number of meetings with the principal municipal authorities of Jokkmokk and locally affected organisations, such as Sami village boards, have been held to enable the Company to outline its development plans for the Kallak deposits.

Successful completion of an EIS, together with a technical report, and the subsequent granting of an exploitation licence by the Mining Inspectorate at Bergsstaten will enable the Company to start pilot mining surveys and collect large scale samples from the Kallak deposits for mining and metallurgical testing.

In January 2012, the Company appointed Micon International Co. Limited ("Micon") as a technical consultant to JIMAB to work alongside GeoVista on the Kallak project and provide, *inter alia*, recommendations for future drilling to seek to upgrade the resource, generation of a preliminary mineral resource model and compilation of operating parameters and costs to facilitate a Whittle pit analysis of a preliminary Kallak North block model. Accordingly, the Company is seeking to combine further definition of the project's estimated resource with the commencement of an initial design plan for an open pit mine. More recently, further consultants have been appointed to advise on, *inter alia*, the alternative locations for the ore treatment plant, the tailings facility, the mining waste rock dumps and its management, a metallurgical test works, a preliminary flow sheet and a preliminary layout and design of an ore treatment facility for the Kallak deposit areas.

Ruoutevare project

The Ruoutevare iron-titanium project consists of one exploration permit covering a total area of 8.5km2 located in the municipality of Jokkmokk approximately 1,100km north of Stockholm, in Norrbotten County, 13km north-west of the small village of Kvikkjokk. Beowulf's Kallak project is located closer to Jokkmokk's town centre about 90km to the east of Ruoutevare. An application has recently been lodged with the Mining Inspectorate to extend the Ruoutevare nr1 exploration licence for a further year with approval pending.

In August 2008, Beowulf announced a maiden JORC Code compliant Inferred Resource estimate for the project. Completed by independent geological consultants Runge Limited, the Inferred Resource estimate of 140Mt grading 39.1% iron (Fe), 5.7% titanium (Ti) and 0.2% vanadium (V) exceeded the initial estimate of 116-123Mt of mineralisation. The resource was estimated in a standard block model using ordinary Kriging interpolation. The interpolation was constrained by resource outlines based on the mineralisation envelopes prepared using a nominal 30% Fe cut-off grade.

The Ruoutevare magnetite deposit is an out-cropping, flat-lying to gently dipping magnetite rich layer about 150m thick within an anorthositic gabbro. The magnetite ranges from massive to disseminated forms and is associated with ilmenite (iron-titanium mineral).

The magnetite mineralisation consists of four lenticular pods of mineralisation that are interpreted to be the result of magmatic layering within the intrusive anorthosite complex. The most significant mineralised body is approximately 1,500m long and 200m to 300m wide.

There appears to be good potential to substantially increase the resource by drilling extensions to the existing resource and by testing other magnetite bearing zones in the vicinity of the deposit.

In 2009 and 2010, Beowulf initiated a series of metallurgical tests on ore grade material from the Ruoutevare deposit. These tests were conducted by MINPRO at its research laboratory at Stråssa, Central Sweden. Results from these tests, conducted on milled ore material to optimise a reduction technique process, showed that a final sponge iron powder product containing up to 95% iron (Fe) with 1.5% titanium (Ti) can be obtained. The initial grades of Fe 52.1% and TiO_2 11.4% from the milled ore material studied, compared very favourably with a 1970s study by the SGU showing grades of Fe 53% and TiO_2 12.3%. Bench tests were successful in producing a magnetite pellet feed product containing 67.8% Fe of high commercial quality with low levels of contaminating metals. Additional tests in 2010 by MINPRO, applying a reduction/segregation process, further improved the quality of the sponge iron powder reaching a grade of 97% iron.

In addition to the metallurgical test programme, in July 2009 the Company commissioned Raw Materials Group ("RMG") to update its 2006 scoping study on Ruoutevare with the objective of further defining the commerciality of the project. The updated independent conceptual study was completed in February 2010 and showed that

Ruoutevare contains a significant resource of iron ore close to the surface and is very amenable to open-pit mining. On the basis of its conceptual financial analysis, RMG concluded that the project is robust and warrants further drilling and analytical work, and together with Beowulf's Kallak deposits (outlined above) represents one of the largest known remaining iron ore deposits in Scandinavia still awaiting commercial exploitation.

Ballek project

The Ballek copper-gold project comprises four exploration permits, Ballek nr2, Ballek nr3, Ballek nr4 and Ballek nr5, covering a total area of approximately 109.9km². The project area is located in the Arjeplog municipality approximately 13km east of the town centre, in the Västerbotten County in Northern Sweden. Applications have recently been lodged with the Mining Inspectorate to extend the Ballek nr2, Ballek nr3 and Ballek nr5 licences for another year with approvals pending.

In September 2008, Beowulf reported a maiden JORC Code compliant Inferred Resource estimate for the Lulepotten copper-gold deposit on the project area. This represented the first stage review of known copper resources in the Ballek area following a diamond drilling programme completed by our former joint venture partner, Agricola Resources plc ("Agricola"), earlier in 2008, which also intersected copper sulphide mineralisation.

The estimate for the Lulepotten deposit outlined a total Inferred Resource of 5.4Mt, grading at 0.8% Cu and 0.3g/t Au, representing a total of 43,000 tonnes of contained copper metal and 52,000 ounces of contained gold using a cut-off value of 0.3% for copper.

Diamond drilling by the SGU in the 1960s and 1970s identified fracture-hosted copper-gold sulphide mineralisation at the Lulepotten deposit. Re-evaluation of this historic drilling data by Agricola suggested that the drilling had intersected locally significant thicknesses and grades of copper-gold mineralisation that may have sufficient continuity to be amenable to economic extraction through a bulk mining method.

The Lulepotten resource estimate was based on historical diamond drilling information and assay results recovered from the SGU archives in Malå, Sweden. This data was verified by field checking of drill hole collar locations, visual inspection of the drill core and a full review of geological logging, sampling and assaying procedures. Confidence in the available data was sufficient to establish the geological and grade continuity appropriate for an Inferred Resource classification for the deposit.

The resource model for the Lulepotten deposit was defined by a total of 49 diamond drill holes, drilled perpendicular to strike and completed on a nominal 50m by 50m grid. The model comprises a series of sub-parallel, tabular bodies that show continuity over approximately 600m of strike length and down dip to the limit of drill testing. The resource estimate has been constrained to model wireframe volumes defined by the available geological and geochemical data.

An average specific gravity value of 2.7 was used for the resource estimate, in the absence of any representative density measurements for the deposit. This value was chosen on the basis of average accepted values for the rock types observed in the diamond drill core.

The Lulepotten copper-gold mineralisation is hosted within and along the contact zone between a granitoid and a package of intercalated mafic to felsic volcanic rocks and sedimentary units which have all been metamorphosed and strongly foliated. The mineralisation occurs in a series of sub-parallel structures that follow the local fabric, which strikes southwest-northeast and dips steeply to the northwest. Sulphide mineralisation within the deposit comprises irregular veinlets and disseminations of chalcopyrite plus bornite, with lesser pyrite. Mineralisation is mainly developed within the metavolcanic and metasedimentary bedrock sequences but also locally occurs within the adjacent granite.

During the period from 1960 to 1978, a total of 104 diamond drill holes were completed over the deposit area with approximately 22,265m of drilling on a nominal 50m by 50m grid spacing. These drill holes, cores from which are currently stored at the SGU core archive, effectively tested the mineralised structure to a depth of about 250-300m below the surface, and over a strike length of approximately 1,500m. Only one single hole has tested the structure at depth (600m below surface) and results indicate that the copper-gold mineralisation continues and extends down-dip to great depths.

The mineralisation is open along strike and at depth and the prospective strike length of the mineralised structure is approximately 5,000m long. Geological and geophysical targets with similar characteristics to the known mineralisation have been identified to both the north and southwest of the deposit, along the same geological structure that hosts the mineralisation.

In September 2009, the Company formed a new joint venture with Australian company Energy Ventures Limited ("EVE") to further explore the Ballek copper targets. By funding and completing a 1,601m, eight hole diamond drilling programme on time, targeted on extensions of the Lulepotten deposit, EVE was entitled to earn-in a 50 per cent. interest in the project. Accordingly, a new UK private company, Wayland Copper Limited ("Wayland"), was established to hold the project's exploration permits, which is currently jointly and equally owned by Beowulf and EVE.

The drilling results from EVE's programme, announced in 2010, showed a small number of narrow mineralised intervals of about 0.5 metres with copper grades in excess of 1% and some supporting gold grade. Visible copper sulphide mineralisation was observed in three holes. Mineralisation was contained in narrow fracture zones within granitic and metavolcanic rocks and comprised of fine to coarse grained copper sulphides like chalcopyrite and bornite with minor chalcocite.

In February 2011, Beowulf announced that it had assumed the role of operator, as EVE had decided to focus its efforts on a series of uranium projects in America. EVE has nevertheless retained its interest in Wayland and continued to assess further exploration drilling targets and development options for the project under Beowulf's operatorship.

Beowulf currently plans to conduct an additional 3,000m drill programme at Ballek, preliminarily scheduled for late 2012, in order to continue to test the indicated copper targets at increased depths as defined by historical deep sensing geophysical ground surveys completed by GeoVista. In particular, the proposed drilling programme will target some pronounced deep lying induced polarisation ("IP") targets located close to the Kvarnbäcken and Sågberget targets in the northern half of the project area.

Other assets

Although the Company holds a wide portfolio of assets, management is currently concentrating its efforts on the promising Kallak iron ore project and, to a lesser extent, the Ballek copper-gold joint venture project.

The other assets in the Company's portfolio can therefore briefly be summarised as follows:

Grundträsk

The Grundträsk project, focused on gold, is comprised of the two exploration licences Grundträsk nr4 and Grundträsk nr6. The project covers a total area of approximately 36.2km^2 located in the Skellefte Mining District of Northern Sweden.

Results to date by the Company indicate the presence of sigmoidal gold bearing structures in a mineralised corridor over a strike length of 800 metres. Historic drilling has returned gold grades of up to 5.2 metres at 4.28 grammes per tonne, 4.62 metres at 2.8 grammes per tonne, 5.7 metres at 2.53 grammes per tonne and 16.9 metres at 1.86 grammes per tonne.

The Company currently plans to carry out a 2,000m drilling programme on its Grundträsk project in due course in order to further define the gold targets in width and extensions.

Majves

The Majves nr3 exploration licence was acquired by the Company in 2009 and an application has been lodged with the Mining Inspectorate to extend it for a further year with approval pending. The target of the Majves project, covering an area of approximately 7.2km^2 in Jokkmokk is an IOCG deposit. Beowulf has been exploring in the area since 2003.

Geddaur

The total Geddaur project area of approximately 131.5km^2 comprises the Geddaur nr1, nr2 and nr3 licences and joins up with the Ballek licence block. Applications have recently been lodged with the Mining Inspectorate to extend Geddaur nr1 and nr2 for a further year with approvals pending. The area has excellent infrastructure and the project site is readily accessible via a number of good forest roads. The licence areas have high potential to hold two separate styles of mineralisation, namely copper-gold deposits and high grade uranium deposits.

Manakjaure

The Manakjaure uranium prospect is located approximately 85km northwest of the city centre of the municipality of Jokkmokk in the Norrbotten County of Northern Sweden. The Manakjaure nr1 licence covers a lightly forested area of approximately 5.4km^2 and is accessible via a forest road from the east. An application has recently been lodged with the Mining Inspectorate to extend the licence for a further year with approval pending.

Riikalahti

The Riikalahti nr1 licence covers an area of approximately 11.5km^2 and the Company is targeting nickel and copper sulphide prospects. It is located approximately 40km north of the town centre of Kiruna in the Norrbotten County of Northern Sweden and is relatively lightly forested. Access by field vehicles and drill rigs is best achieved in the winter months as there are no local forestry roads within the licence area. An application has been lodged with the Mining Inspectorate to extend the licence for a further year with approval pending.

Munka

The Munka molybdenum deposit, confirmed by historic drilling, extends over 800m in length with parallel mineralised lenses of varying width in excess of 20m. Between 1973 and 1977, a total of 67 holes were drilled for approximately 10,000 metres. Based on these historic drilling results, the SGU estimated resources up to 100m depth to be 1.7Mt at 0.156% molybdenum (Mo). This historic estimate does not comply with current JORC Code or NI 43-101 international standards. At the estimated tonnage, the Munka deposit is the largest molybdenum deposit in Sweden with the available data indicating that the deposit may be significantly larger.

During field studies conducted during 2010 and 2011 in the Munka nr10 licence area, covering approximately 8km^2, new drill sites were laid out for a potential future drill programme. The licence is currently due to expire in November 2012 and an extension application is intended to be lodged with the Mining Inspectorate prior to the scheduled expiry date.

Report
of the Directors

The directors present their report together with the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

The principal activity of the Group in the year under review was that of exploration for world-class iron, copper, gold and uranium deposits. The exploration is primarily carried out in Sweden, but the Group is controlled, financed and administered within the United Kingdom which remains the principal place of business.

REVIEW OF BUSINESS

A full review of the Group's activities during the year, recent events and expected future developments are contained in the Chairman's Statement and Review of Operations and Activities on pages 3 to 13. The results of the Group for the year are set out on page 25 and show a loss after taxation for the year of £832,235 (2010 - £474,395).

Highlights

Kallak iron ore project:

- Maiden independent JORC compliant Inferred Resource estimate completed by GeoVista for the Company's Kallak North iron ore deposit of 131.6Mt grading at 28% iron (Fe). Exploration target identified for Kallak South of 200Mt to 230Mt grading at 30-32% iron (Fe).
- Additional extensive two phase infill drilling programme of up to 35,000m scheduled for Kallak. Initial plans are for 7,000m of drilling at Kallak North, principally seeking to confirm whether Kallak North and South are a single ore body.
- Environmental Impact Study progressing on the Kallak iron ore deposits.
- 2012 drilling campaign at Kallak North resumed in late May 2012 following formal approval of the Company's Kallak nr1 work plan from the Swedish Mining Inspectorate.

Ballek joint venture copper-gold project:

- Letter of intent signed with Dala Prospektering AB to undertake approximately 3,000m of drilling at the Ballek copper-gold project, preliminarily scheduled for late 2012.

Corporate:

- Nil revenue (2010: Nil), loss before and after taxation of £832,235 (2010: £474,395) and basic loss per share of 0.50p (2010: 0.34p).
- Successful placings and subscription completed in May and November 2011 raising approximately £1 million (gross) and £6.7 million (gross) respectively from new and existing investors.
- Approximately £6.1 million in cash held at the year end.

GOING CONCERN

The directors have considered the cashflow requirements of the Group over the next 18 months. If the Group is to continue exploration and development it will potentially be necessary to raise additional funds. Whilst it is difficult in the current economic downturn to generate the extra funds potentially required, the directors expect to meet the funding requirements and therefore believe that the going concern basis is appropriate for the preparation of the financial statements.

SUBSTANTIAL SHAREHOLDINGS

The directors are aware of the following who were interested, directly or indirectly, in 3% or more of the Group's ordinary shares on 31 December 2011:

Sunvest Corporation Limited - 11,250,000 shares (5.34%)
Mrs C C Rowan - 10,189,485 shares (4.84%)

AUTHORITY TO ISSUE SHARES

Each year at the AGM the directors seek authority to allot shares. The authority, when granted, lasts until the next AGM. At the last AGM held on 30 June 2011, shareholders gave authority for the directors to allot equity securities for cash up to an aggregate nominal value of £486,656. This value was increased to £631,282 by resolutions passed at a General Meeting held on 13 January 2012.

HEALTH AND SAFETY

There were no reported personal injuries or fatalities among the Company's staff or contractors during the year.

SIGNIFICANT AGREEMENTS

The Companies Act 2006 requires the Company to disclose any significant agreements which take effect, alter or terminate upon a change in control of the Company. The Company is not aware of, or party to, any such agreement.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2011.

DIRECTORS

The directors during the year under review were:

Mr C Sinclair-Poulton
Dr Jan-Ola Larsson
Mr F Boman - appointed 19/5/2011
Mr A C R Scutt
Mr E Taylor

The beneficial and other interests of the directors holding office during the year and their families in the issued share capital of the Company at 31 December 2011 were as follows:

Ordinary 1p shares	31.12.11	1.1.11 or date of appointment if later
Mr C Sinclair-Poulton[1]	1,332,500	350,000
Dr Jan-Ola Larsson	650,000	50,000
Mr A C R Scutt[2]	475,000	475,000
Mr F Boman	-	-
Mr E Taylor[3]	294,506	250,000

Notes:

1. Includes 100,000 shares held by Merchant Adventurers Company Limited, a company of which Mr Sinclair-Poulton is a director and shareholder.
2. Includes 100,000 shares held by his spouse; 275,000 shares held by Scutt/Rickwood, in Mr Scutt's capacity as a trustee of an investment club; and 100,000 shares held by Scutt/Robinson, in Mr Scutt's capacity as a trustee of an investment club.
3. Includes 169,506 shares held by his spouse.

Ordinary shares under option	Number	Exercise price	Expiry date
Mr A C R Scutt	250,000	6p	3 June 2012
Mr E Taylor	250,000	6p	3 June 2012
Mr A C R Scutt	250,000	7p	24 Sept 2015
Mr E Taylor	250,000	7p	24 Sept 2015
Mr C Sinclair-Poulton	1,500,000	30p	7 Dec 2016
Dr Jan-Ola Larsson	700,000	30p	7 Dec 2016
Mr F Boman	700,000	30p	7 Dec 2016
Mr E Taylor	290,000	30p	7 Dec 2016

During the year Mr C Sinclair-Poulton exercised 2,500,000 options at the exercise price of 5p per share, and Dr J-O Larsson exercised 350,000 options at 7p per share and 250,000 options at 6p per share.

INFORMATION ON DIRECTORS

Clive Sinclair-Poulton
Executive Chairman

Aged 56, Mr Sinclair-Poulton studied law at Cambridge University graduating in 1978, before starting a twenty year career in investment banking in London with Citibank and Security Pacific (now Bank of America) as well as stockbrokers Hoare Govett.

After founding and then selling a stockbroking firm Mr Sinclair-Poulton became a founding shareholder and the Executive Chairman of AIM traded themutual.net (AIM:TMN). He has been involved in natural resources for fifteen years.

Most recently, Mr Sinclair-Poulton was a founding member of Tanzania Gold Ltd which, following a reverse take-over, was first renamed Tanzania Gold plc before becoming Bezant Resources plc. He was CEO of AIM listed Bezant Resources plc (AIM:BZT), with copper and gold assets in Tanzania and the Philippines, until he stepped down in February 2008. He is also Executive Chariman of PLUS listed Agricola Resources plc and currently resides in Ireland.

Anthony Scutt ACIS
Non-executive Director

Aged 72, Mr Scutt is a Chartered Secretary and a Certified Internal Auditor with the U.S. Institute of Internal Auditors. He has 34 years of financial management experience with Shell International Petroleum, working in many parts of the World, including Madagascar, East and Central Africa, Gabon,Vietnam, Cambodia, the Philippines, and latterly as the Chief Internal Auditor of Shell U.K.

Mr Scutt then went on to become an investment analyst, writer and investor, and was one of the very first investors and supporters of Beowulf. He is also a director of Starvest plc, Agricola Resources plc and Non-Executive Director of Oracle Coalfields plc.

Jan-Ola Larsson
Technical Director

Aged 70, Dr Larsson holds a geology degree from Uppsala University and a PhD in geochemistry from Imperial College of Science and Technology, London University.

Dr Larsson has over 30 years of varied experience in Canada, Brazil and Sweden. Previously held positions were Head of Geochemistry and Geological Survey of Sweden, LKAB Exploration Company and Barringer Research Ltd., and Exploration Manager for Tetron Mineracao S/A and North Star Diamonds AB.

Fred Boman
Production Director

Aged 68, Mr Boman holds an MSc. degree in Mining and Mineral Processing from the Royal Institute of Technology (KTH), Stockholm, Sweden. He has more than 35 years' experience in the mining industry with over 25 years' service in various senior management positions both in Sweden and overseas. His previous positions include Vice President and Head of Engineering and R&D at Boliden AB, President and CEO of Boliden International Mining AB, CEO and President of Midroc Gold Limited and Managing Director of Dragon Mining Sweden AB.

Mr Boman currently serves on the board of a number of private companies and is a member of the Association for Mining and Metallurgical Engineers of Sweden. He is also a qualified person accredited by the Swedish Mining Association

Edward Taylor
Non-executive Director and Company Secretary

Aged 64, Mr Taylor has worked in various accounting, human resources, administration and Company Secretary positions in the natural resources sector. He has worked for Hardy Oil & Gas (now British Borneo Oil and Gas plc), Enterprise Oil plc and LASMO (now AGIP (UK) plc).

Mr Taylor is a Director of All Star Minerals and Non-executive Director of the following companies: U3O8 Holdings Plc, Valiant Investments Plc, Valiant Financial Media Ltd and Southern Star Mineral Resources Plc. He is also Company secretary for Oracle Coalfields Plc.

GROUP'S POLICY ON PAYMENT OF CREDITORS

It is the Group's policy to pay suppliers within their respective credit terms. At the balance sheet date trade payables outstanding represented 23 creditor days (2010: 17 days). Further details of the payment policy can be obtained by writing to the registered office of the Group.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and cash equivalents, investments and financial assets and various items such as trade receivables, trade payables, accruals and prepayments that arise directly from its operations.

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

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

Credit Risk

The Group's principal financial assets are cash and cash equivalents, and the loans and taxation receivables as recognised in the balance sheet, and which represent the Group's maximum exposure to credit risk in relation to financial assets.

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 income or the value of its holdings in financial instruments.

Capital Management

The Group's capital consists wholly of ordinary shares. The Board's policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, whilst balancing these objectives with the efficient use of capital.

Commodity Price Risk

The principal activity of the Group is the exploration for iron, copper, gold and uranium in Sweden, and the principal market risk facing the Group is an adverse movement in the price of such commodities. Any long term adverse movement in commodity prices would affect the commercial viability of the Group's various projects.

REMUNERATION REPORT

Introduction

This report has been prepared in accordance with the requirements of Schedule 2 Part 1 to the Companies Act 2006 (the Schedule) and also meets the requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' Remuneration. A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the Financial Statements are to be approved.

Section 495 of the Act requires the auditors to report to the Company's members on the 'auditable part' of the Directors Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with Part 3 of the Schedule. This report has therefore been divided into separate sections for unaudited and audited information.

Unaudited information

Remuneration Policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the necessary calibre and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration packages is undertaken by the Remuneration Committee. The remuneration of Non-executive Directors is determined by the Board within limits set in the Articles of Association.

Executive Directors are entitled to accept appointments outside the Company providing the Board's permission is sought.

Non-executive Directors' terms of engagement

The Non-executive Directors have specific terms of engagement. Their remuneration is determined by the Board. In the event that a Non-executive undertakes additional assignments for the Company, the Non-executive's fee will be agreed by the Company in respect of each assignment.

Audited information

Aggregate Directors' Remuneration

The remuneration paid to the Directors, in accordance with their agreements, during the year ended 31 December 2011 was as follows:

	Salary & fees £	Pensions £	Termination benefits £	Share based payments(3) £	2011 Total £	2010 Total £
Executive						
Mr C Sinclair-Poulton(1)	228,930	-	-	22,913	251,843	68,065
Dr J-O Larsson(2)	84,375	-	-	10,693	95,068	45,000
Mr F Boman	-	-	-	10,693	10,693	-
Non-Executive						
Mr A C R Scutt	25,542	-	-	-	25,542	14,967
Mr E Taylor	-	-	-	4,430	4,430	-

Notes:

1. Fees for Mr C Sinclair-Poulton include a discretionary bonus of £121,417 and an amount of £42,700 paid via Merchant Adventurers Company Limited.
2. Fees for Dr J-O Larsson were paid via Geoexperten.
3. The share based payments charge is in respect of share options granted to the Directors.

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

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

Directors' Service Contracts

Formal service contracts with the Company are currently in the course of negotiation.

CORPORATE GOVERNANCE REPORT

Corporate Governance and board composition

Effective corporate governance is a priority of the Board and outlined below are details of how the Company has applied the principles set out in the UK Corporate Governance Code (the "Code") effective for fully listed companies from June 2010, which replaced the Combined Code on Corporate Governance revised in July 2006 by the Financial Reporting Council. Under the rules of AIM, a market operated by the London Stock Exchange plc, the Company is not required to comply with the Code and the Board considers that the size of the Group does not warrant compliance with all of the Code's requirements. The Board fully supports the principles on which the Code is based and seeks to comply with best practice in such respects as they consider appropriate for a Group of its size and nature. The Board has a wide range of experience directly relevant to the Group and its activities and its structure ensures that no one individual or Group dominates the decision making process.

Audit Committee

The Board has established an Audit Committee which comprises Anthony Scutt and Ed Taylor, the two Non-executive Directors. The Audit Committee ensures the good operation of financial practices throughout the Group; ensures that controls are in place to protect the Group's assets and to ensure the integrity of financial information; reviews the interim and annual financial statements; reviews all aspects of the audit programme and provision of any non-audit services by the auditors.

Remuneration Committee

The Board has established a Remuneration Committee, which comprises Anthony Scutt and Ed Taylor, the two Non-executive Directors, and is responsible for establishing the policies of executive remuneration and determining the remuneration and benefits of the individual executive directors. The Board is responsible for establishing the policies of remuneration and determining the remuneration and benefits of the individual non-executive directors.

Nominations Committee

The Board has not established a Nominations Committee as the Board considers that a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole. The Board assesses the experience, knowledge and expertise of potential directors before any appointment is made and adheres to the principle of establishing a Board comprising directors with a blend of skills, experience and attributes appropriate to the Group and its business. The main criterion for the appointment of directors is an ability to add value to the Group and its business. All directors appointed by the Board are subject to election by shareholders at the next Annual General Meeting of the Company following their appointment. The Board will review the utility of a Nominations Committee as it enters the next stage of its development, and one will be established if and when considered appropriate by the Board.

Share dealing

The Group has adopted a share dealing code for Directors and relevant employees in accordance with the AIM Rules for Companies and takes proper steps to ensure compliance by the Directors and those employees.

Relations with Shareholders

The Board recognises that it is accountable to shareholders for the performance and activities of the Group. Beowulf communicates with its shareholders principally through its web site at www.beowulfmining.com and the interim and Annual Reports. Shareholders can also sign up to receive news releases directly from the Group by email. Annual General Meetings of the Company give the directors the opportunity to report to shareholders on current and proposed operations and enable shareholders to express their views on the Group's business activities.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The principal risks faced by the Group are as follows:

- The ability to raise sufficient funds to continue with the exploration of its exploration licences/permits.

- Long term adverse changes in commodity prices could affect the viability of exploration and extraction projects.

- The operations of the Group are in foreign jurisdictions where there may be a number of associated risks over which it will have no control. These may include economic, social or political instability or change, taxation, rates of exchange, exchange controls and exploration licensing.

- The exploration licences may be subject to conditions which, if not satisfied, may lead to the revocation of the licences.

- The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which undergo exploration are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities of minerals disclosed will be available to extract. With all mining operations there is uncertainty, and hence risk, associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law 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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. 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 that the financial statements comply with IFRS; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE REPORT

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

AUDITORS

The auditors, Price Bailey LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Group's forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The Group's next Annual General Meeting will be held at 11.00 a.m. on 29 June 2012 and full details of the proposed resolutions at that meeting can be found in the separate Notice accompanying the annual report and financial statements.

ON BEHALF OF THE BOARD:

Mr E Taylor - Director

Date: 31 May 2012

Report
of the Independent Auditors

We have audited the financial statements of Beowulf Mining Plc Group of Companies for the year ended 31 December 2011 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 and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Report, the Review of Operations and Activities and the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Exploration costs

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 9 to the financial statements concerning the valuation of the exploration costs. The ability of the Company to continue its exploration activities and justify sufficient value to justify the carrying value of the intangible assets is dependent on them being able to generate sufficient funds. Based upon the current economic climate there exists a material uncertainty which may cast significant doubt as to whether the Company will be able to generate sufficient funds and therefore the Company's ability to continue all of its exploration activities. The financial statements do not include the adjustments that would be necessary if the company was unable to raise these funds.

Emphasis of matter – Agricola Resources Plc

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in notes 11 and 12 in relation to the recovery of the investment and loans to Agricola Resources Plc, a related party. Agricola Resources Plc currently has net liabilities and its shares are currently suspended from trading on PLUS pending completion of negotiations and the availability of funding to effect a reverse takeover of certain mineral assets. The ultimate outcome of the negotiations cannot presently be determined. No provision has been made for either the impairment of the investment of £80,750 or for the loan of £270,000.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Martin Clapson FCA (Senior Statutory Auditor)
for and on behalf of Price Bailey LLP
Chartered Accountants & Statutory Auditors
Richmond House
Ely
Cambridgeshire
CB7 4AH

Date: 31 May 2012

Consolidated
Income Statement

	Notes	2011 £	2010 £
CONTINUING OPERATIONS			
Revenue	2	-	-
Administrative expenses		(845,452)	(468,901)
OPERATING LOSS		(845,452)	(468,901)
Finance costs	4	-	(6,585)
Finance income	4	13,217	1,091
LOSS BEFORE INCOME TAX	5	(832,235)	(474,395)
Income tax	6	-	-
LOSS FOR THE YEAR		(832,235)	(474,395)
Loss attributable to:			
Owners of the parent		(832,235)	(474,395)
Earnings per share expressed in pence per share:	8		
Basic		-0.50	-0.34
Diluted		-0.49	-0.33

The notes form part of these financial statements

Consolidated
Statement of Comprehensive Income

ACCOUNTS

	2011 £	2010 £
LOSS FOR THE YEAR	(832,235)	(474,395)
OTHER COMPREHENSIVE INCOME		
Revaluation of listed investments	(51,406)	(3,760)
Exchange translation difference	(193)	-
Income tax relating to components of other comprehensive income	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	(51,599)	(3,760)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(883,834)	(478,155)
Total comprehensive income attributable to:		
Owners of the parent	(883,834)	(478,155)

The notes form part of these financial statements

Consolidated
Statement of Financial Position

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	2,304,347	1,327,892
Property, plant and equipment	10	607	810
Investments	11	109,858	161,264
Loans and other financial assets	12	270,000	20,000
		2,684,812	1,509,966
CURRENT ASSETS			
Trade and other receivables	13	197,470	342,760
Cash and cash equivalents	14	6,050,960	232,589
		6,248,430	575,349
TOTAL ASSETS		8,933,242	2,085,315
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	2,104,273	1,597,966
Share premium	16	10,858,905	3,904,399
Revaluation reserve	16	(15,142)	36,264
Capital contribution reserve	16	46,451	46,451
Share scheme reserve	16	68,317	28,871
Translation reserve	16	(193)	-
Retained earnings	16	(4,429,363)	(3,611,606)
TOTAL EQUITY		8,633,248	2,002,345
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	299,994	82,970
TOTAL LIABILITIES		299,994	82,970
TOTAL EQUITY AND LIABILITIES		8,933,242	2,085,315

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2012 and were signed on its behalf by:

Mr E Taylor - Director

The notes form part of these financial statements

Company

Statement of Financial Position

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	439,993	1,116,321
Property, plant and equipment	10	607	810
Investments	11	339,867	412,028
Loans and other financial assets	12	1,956,115	29,658
		2,736,582	1,558,817
CURRENT ASSETS			
Trade and other receivables	13	170,065	339,029
Cash and cash equivalents	14	6,046,244	232,589
		6,216,309	571,618
TOTAL ASSETS		8,952,891	2,130,435
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	2,104,273	1,597,966
Share premium	16	10,858,905	3,904,399
Revaluation reserve	16	(40,806)	36,264
Capital contribution reserve	16	46,451	46,451
Share scheme reserve	16	68,317	28,871
Retained earnings	16	(4,383,263)	(3,566,586)
TOTAL EQUITY		8,653,877	2,047,365
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	299,014	83,070
TOTAL LIABILITIES		299,014	83,070
TOTAL EQUITY AND LIABILITIES		8,952,891	2,130,435

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2012 and were signed on its behalf by:

Mr E Taylor - Director

The notes form part of these financial statements

Consolidated

Statement of Changes In Equity

	Called up share capital £	Profit and loss account £	Share premium £	Revaluation reserve £
Balance at 1 January 2010	1,058,982	(3,137,211)	2,847,719	40,024
Changes in equity				
Issue of share capital	538,984	-	1,056,680	-
Equity-settled share-based payment transactions	-	-	-	-
Total comprehensive income	-	(474,395)	-	(3,760)
Balance at 31 December 2010	1,597,966	(3,611,606)	3,904,399	36,264
Changes in equity				
Issue of share capital	506,307	-	6,954,506	-
Equity-settled share-based payment transactions	-	-	-	-
Share options exercised	-	14,478	-	-
Total comprehensive income	-	(832,235)	-	(51,406)
Balance at 31 December 2011	2,104,273	(4,429,363)	10,858,905	(15,142)

	Capital contribution reserve £	Share scheme reserve £	Translation reserve £	Total equity £
Balance at 1 January 2010	46,451	5,351	-	861,316
Changes in equity				
Issue of share capital	-	-	-	1,595,664
Equity-settled share-based payment transactions	-	23,520	-	23,520
Total comprehensive income	-	-	-	(478,155)
Balance at 31 December 2010	46,451	28,871	-	2,002,345
Changes in equity				
Issue of share capital	-	-	-	7,460,813
Equity-settled share-based payment transactions	-	53,924	-	53,924
Share options exercised	-	(14,478)	-	-
Total comprehensive income	-	-	(193)	(883,834)
Balance at 31 December 2011	46,451	68,317	(193)	8,633,248

The notes form part of these financial statements

Company

Statement of Changes in Equity

	Called up share capital £	Profit and loss account £	Share premium £
Balance at 1 January 2010	1,058,982	(3,137,211)	2,847,719
Changes in equity			
Issue of share capital	538,984	-	1,056,680
Equity-settled share-based payment transactions	-	-	-
Total comprehensive income	-	(429,375)	-
Balance at 31 December 2010	1,597,966	(3,566,586)	3,904,399
Changes in equity			
Issue of share capital	506,307	-	6,954,506
Equity-settled share-based payment transactions	-	-	-
Share options exercised	-	14,478	-
Total comprehensive income	-	(831,155)	-
Balance at 31 December 2011	2,104,273	(4,383,263)	10,858,905

	Revaluation reserve £	Capital contribution reserve £	Share scheme reserve £	Total equity £
Balance at 1 January 2010	40,024	46,451	5,351	861,316
Changes in equity				
Issue of share capital	-	-	-	1,595,664
Equity-settled share-based payment transactions	-	-	23,520	23,520
Total comprehensive income	(3,760)	-	-	(433,135)
Balance at 31 December 2010	36,264	46,451	28,871	2,047,365
Changes in equity				
Issue of share capital	-	-	-	7,460,813
Equity-settled share-based payment transactions	-	-	53,924	53,924
Share options exercised	-	-	(14,478)	-
Total comprehensive income	(77,070)	-	-	(908,225)
Balance at 31 December 2011	(40,806)	46,451	68,317	8,653,877

The notes form part of these financial statements

Consolidated
Statement of Cash Flows

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash generated from operations	1	(626,442)	(590,118)
Interest paid		-	(9,085)
Exchange rate fluctuation on cash held		(193)	-
Net cash from operating activities		(626,635)	(599,203)
Cash flows from investing activities			
Purchase of intangible fixed assets		(932,350)	(664,484)
Purchase of fixed asset investments		-	(10,000)
Sale of intangible fixed assets		-	40,660
Loans to related parties		(70,386)	(150,888)
Funding of joint venture		(16,213)	-
Convertible loan note issued		(250,000)	(20,000)
Related party loans repaid		250,000	-
Interest received		3,142	508
Net cash from investing activities		(1,015,807)	(804,204)
Cash flows from financing activities			
New loans in year		-	100,000
Loan repayments in year		-	(250,000)
Share issue		7,964,333	1,675,664
Cost of share issue		(503,250)	(80,000)
Net cash from financing activities		7,460,813	1,445,664
Increase in cash and cash equivalents		5,818,371	42,257
Cash and cash equivalents at beginning of year	2	232,589	190,332
Cash and cash equivalents at end of year	2	6,050,960	232,589

The notes form part of these financial statements

Notes

To the Consolidated Statement of Cash Flows

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2011	2010
	£	£
Loss before income tax	(832,235)	(474,395)
Depreciation charges	203	269
Profit on disposal of fixed assets	-	(40,660)
Equity-settled share-based transactions	53,924	23,520
Impairment of exploration costs	5,171	9,051
Finance costs	-	6,585
Finance income	(13,217)	(1,091)
	(786,154)	(476,721)
Decrease/(increase) in trade and other receivables	28,151	(168,694)
Increase in trade and other payables	131,561	55,297
Cash generated from operations	(626,442)	(590,118)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

Year ended 31 December 2011	**31/12/11**	**1/1/11**
	£	£
Cash and cash equivalents	6,050,960	232,589

Year ended 31 December 2010	**31/12/10**	**1/1/10**
	£	£
Cash and cash equivalents	232,589	190,332

The notes form part of these financial statements

Notes

To the Consolidated Financial Statements

1. ACCOUNTING POLICIES

Reporting entity

Beowulf Mining Plc is a company domiciled in the United Kingdom. The address of the Company's registered office is Richmond House, Broad Street, Ely, Cambridgeshire, CB7 4AH. The Group primarily is involved in the exploration for world-class iron, copper, gold and uranium deposits.

Going concern

The directors have considered the cashflow requirements of the Group over the next 18 months. If the Group is to continue its exploration activities it may be necessary to raise additional funds. Whilst it is difficult in the current economic downturn to generate the extra funds potentially required, the directors expect to meet the funding requirements and therefore believe that the going concern basis is appropriate for the preparation of the financial statements.

Compliance with accounting standards

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

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 revenues and expenses during the year and the amounts reported for assets and liabilities at the balance sheet date. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement of any impairment on intangible assets and the estimation of share-based payment costs. The Group determines whether there is any impairment of intangible assets on an annual basis. The estimation of share-based payment costs requires the selection of an appropriate model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Business acquisitions have been accounted for in accordance with IFRS 3, 'Business Combinations'. Fair values are attributed to the Group's share of net assets. Where the cost of acquisition exceeds the fair values attributed to such assets, the difference is treated as purchased goodwill and is capitalised. In the case of subsequent acquisitions of minority interests, the difference between the consideration payable for the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of acquisition of the minority interest has been treated as goodwill.

Interests in jointly controlled entities are accounted for using proportionate consolidation in accordance with IAS 31, 'Financial Reporting of Interests in Joint Ventures'. The consolidated Statement of Financial Position of the venturer includes the proportionate share of the assets that it controls jointly and its share of the liabilities for which it is jointly liable. The Income Statement of the venturer includes its share of income and expenses of the jointly controlled entity.

Notes

To the Consolidated Financial Statements - continued

Intangible fixed assets - exploration costs

Expenditure on acquisition costs, exploration and evaluation of interests in licences including related overheads are capitalised. Such costs are carried forward in the balance sheet under intangible assets and amortised over the expected period of extraction of minerals in respect of each area of interest where:

a) such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively by its sale;

b) exploration activities have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations in relation to the areas are continuing.

An annual impairment review is carried out by the directors to consider whether any exploration or development costs have suffered impairment in value and where necessary provisions are made accordingly.

Accumulated costs in respect of areas of interest that have been abandoned are written off to the income statement in the year in which the area is abandoned.

Exploration costs are carried at cost less provisions for impairment.

Property, plant and equipment

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

Plant and machinery - 25% on reducing balance

Investments

Fixed asset investments in listed companies are stated at open market value. The revaluation adjustment is taken to the revaluation reserve and any impairments are shown in the income statement for the year.

Fixed asset investments in subsidiary undertakings and joint venture interests are stated at cost less provision for any impairment in value.

Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

- Cash and cash equivalents comprise cash held at bank and short term deposits
- Trade payables are not interest bearing and are stated at their nominal value
- Equity instruments issued by the Group are recorded at the proceeds received except where those proceeds appear to be less than the fair value of the equity instruments issued, in which case the equity instruments are recorded at fair value. The difference between the proceeds received and the fair value is reflected in the share based payments reserve.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Notes

To the Consolidated Financial Statements - continued

1. ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Profit and losses of overseas subsidiary undertakings are translated into sterling at average rates for the year. The statements of financial position of overseas subsidiary undertakings are translated at the rate ruling at the statement of financial position date. Differences arising from the translation of Group investments in overseas subsidiary undertakings are recognised as a separate component of equity.

Net exchange differences classified as equity are separately tracked and the cumulative amount disclosed as a translation reserve.

The principal place of business of the Group is the United Kingdom with sterling being the functional currency. Exploration costs are mainly payable in Swedish Kronor and funds are converted to Kronor as required.

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.

Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement comprise cash and bank balances.

Notes

To the Consolidated Financial Statements - continued

1. ACCOUNTING POLICIES - continued

New Standards and Interpretations applied

In preparing these financial statements the Company has reviewed all new standards and interpretations, but there are no standards effective for the year commencing 1 January 2011 requiring new interpretations to be applied.

New Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements:

- IAS 1 Presentation of Financial Statements (revised 2010) - annual review of IFRSs
- IAS 24 Related Party Disclosures (amended 2009) - revised definition of related parties
- IAS 27 Consolidated and Separate Financial Statements (amended 2010) - annual review of IFRSs
- IAS 32 Financial Instruments (amended 2009) - amendment relating to classification of rights issues
- IAS 34 Interim Financial Reporting (amended 2010) - annual review of IFRSs
- IFRS 3 Business Combinations (amended 2010) - annual review of IFRSs
- IFRS 7 Financial Instruments (amended 2010) - annual review of IFRSs

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year commencing 1 January 2011 and have not been applied in preparing these financial statements:

- IAS 1 Presentation of Financial Statements (amended 2011)
- IAS 12 Income Taxes (amended 2010)
- IAS 19 Employee Benefits (amended 2011)
- IAS 27 Consolidated and Separate Financial Statements (amended 2011)
- IAS 28 Investments in Associates (amended 2011)
- IAS 32 Financial Instruments (amended 2011)
- IFRS 7 Financial Instruments (amended 2010 and 2011)
- IFRS 9 Financial Instruments (issued 2009 and 2010)
- IFRS 10 Consolidated Financial Statements (issued 2011)
- IFRS 11 Joint Arrangements (issued 2011)
- IFRS 12 Disclosure of Interests in Other Entities (issued 2011)
- IFRS 13 Fair Value Measurement (issued 2011)

The Directors do not consider that the implementation of any of these new standards will have a material impact upon reported income or reported net assets.

2. SEGMENTAL REPORTING

The principal activity of the Group is the exploration for minerals in Sweden. All expenses are in respect of this one activity and there are no business segments requiring separate disclosure.

3. EMPLOYEES AND DIRECTORS

	2011	2010
	£	£
Wages and salaries	199,750	58,167
Social security costs	12,023	5,982
Equity-settled share-based payment transactions	53,924	23,520
	265,697	87,669

The average monthly number of employees during the year was as follows:		
Directors	5	4

The aggregate consideration paid to third parties in respect of director's services during the year was £127,075 (2010: £63,883).

	2011	2010
	£	£
Directors' remuneration	199,750	58,167

Two directors exercised share options during the year (2010: no directors).

Information regarding the highest paid director for the year ended 31 December 2011 is as follows:

	2011
	£
Emoluments etc	176,416

During the year the highest paid director exercised 2,500,000 share options at 5p per share.

4. NET FINANCE INCOME

	2011	2010
	£	£
Finance income:		
Deposit account interest	3,142	508
Other interest	10,075	583
	13,217	1,091
Finance costs:		
Loan interest	-	6,585
Net finance income	13,217	(5,494)

5. LOSS BEFORE INCOME TAX

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

	2011	2010
	£	£
Depreciation - owned assets	203	269
Profit on disposal of fixed assets	-	(40,660)
Auditors' remuneration	21,490	11,800
Foreign exchange differences	33,031	24,809
Impairment of exploration costs	-	9,051

Notes

To the Consolidated Financial Statements - continued

ACCOUNTS

6. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2011 nor for the year ended 31 December 2010.

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:

	2011 £	2010 £
Loss on ordinary activities before income tax	(832,235)	(474,395)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	(220,542)	(132,831)
Effects of:		
Potential deferred taxation on tax adjusted loss for the year	219,029	121,420
Profit on disposal of asset to joint venture company	-	11,411
Expenses disallowed for tax purposes	1,513	-
Tax expense	-	-

Tax effects relating to effects of other comprehensive income

	2011 Gross £	Tax £	Net £
Revaluation of listed investments	(51,405)	-	(51,405)
Exchange translation difference	(193)	-	(193)
	(51,598)	-	(51,598)

	2010 Gross £	Tax £	Net £
Revaluation of listed investments	(3,760)	-	(3,760)
	(3,760)	-	(3,760)

The Group has estimated losses of £2,983,537 (2010: £2,158,666) available to carry forward against future trading profits.

7. LOSS OF PARENT COMPANY

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 £831,155 (2010: loss of £429,375).

Notes

To the Consolidated Financial Statements - continued

ACCOUNTS

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

	Earnings £	2011 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(832,235)	166,800,076	-0.50
Effect of dilutive securities			
Options	-	3,581,595	-
Diluted EPS			
Adjusted earnings	(832,235)	170,381,671	-0.49

	Earnings £	2010 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(474,395)	141,019,677	-0.34
Effect of dilutive securities			
Options	-	3,478,219	-
Diluted EPS			
Adjusted earnings	(474,395)	144,497,896	-0.33

Notes

To the Consolidated Financial Statements - continued

9. INTANGIBLE ASSETS

Group

	Exploration costs £
COST	
At 1 January 2011	1,327,892
Additions	981,626
Impairments	(5,171)
At 31 December 2011	2,304,347
NET BOOK VALUE	
At 31 December 2011	2,304,347

	Exploration costs £
COST	
At 1 January 2010	663,888
Additions	673,055
Impairments	(9,051)
At 31 December 2010	1,327,892
NET BOOK VALUE	
At 31 December 2010	1,327,892

Total group exploration costs of £2,304,347 are currently carried at cost in the accounts. The group will need to raise funds to complete its exploration activities in the long term and therefore generate sufficient value to justify the carrying value of its intangible fixed assets. If insufficient funds are raised then some of the assets may require impairment.

Company

	Exploration costs £
COST	
At 1 January 2011	1,116,321
Additions	957,949
Disposals	(1,629,106)
Impairments	(5,171)
At 31 December 2011	439,993
NET BOOK VALUE	
At 31 December 2011	439,993

9. INTANGIBLE ASSETS - continued

Company

	Exploration costs £
COST	
At 1 January 2010	663,888
Additions	601,314
Disposals	(143,680)
Impairments	(5,201)
At 31 December 2010	1,116,321
NET BOOK VALUE	
At 31 December 2010	1,116,321

The impairment of exploration costs is charged to administration and included within the income statement as an expense.

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery £
COST	
At 1 January 2011	
and 31 December 2011	3,217
DEPRECIATION	
At 1 January 2011	2,407
Charge for year	203
At 31 December 2011	2,610
NET BOOK VALUE	
At 31 December 2011	607

	Plant and machinery £
COST	
At 1 January 2010	
and 31 December 2010	3,217
DEPRECIATION	
At 1 January 2010	2,138
Charge for year	269
At 31 December 2010	2,407
NET BOOK VALUE	
At 31 December 2010	810

Notes

To the Consolidated Financial Statements - continued

10. PROPERTY, PLANT AND EQUIPMENT - continued

Company

	Plant and machinery £
COST	
At 1 January 2011	
and 31 December 2011	3,217
DEPRECIATION	
At 1 January 2011	2,407
Charge for year	203
At 31 December 2011	2,610
NET BOOK VALUE	
At 31 December 2011	607

	Plant and machinery £
COST	
At 1 January 2010	
and 31 December 2010	3,217
DEPRECIATION	
At 1 January 2010	2,138
Charge for year	269
At 31 December 2010	2,407
NET BOOK VALUE	
At 31 December 2010	810

11. INVESTMENTS

Group

	Listed investments £
COST OR VALUATION	
At 1 January 2011	161,264
Revaluations	(51,406)
At 31 December 2011	109,858
NET BOOK VALUE	
At 31 December 2011	109,858

ACCOUNTS

11. INVESTMENTS - continued

Group

	Listed investments £
COST OR VALUATION	
At 1 January 2010	155,024
Additions	10,000
Revaluations	(3,760)
At 31 December 2010	161,264
NET BOOK VALUE	
At 31 December 2010	161,264

The Group has an investment in PLUS quoted Agricola Resources Plc, a mining exploration company valued at £80,750. Agricola's shares are currently suspended from trading on PLUS pending completion of negotiations and the availability of funding to effect a reverse takeover of certain mineral assets. As at 31 December 2010 Agricola had stated net liabilities of £204,550. The directors do not feel any provision is required against the investment.

Company

	Shares in group undertakings £	Interest in joint venture £	Listed investments £	Totals £
COST OR VALUATION				
At 1 January 2011	25,764	225,000	161,264	412,028
Additions	4,909	-	-	4,909
Revaluations	(25,664)	-	(51,406)	(77,070)
At 31 December 2011	5,009	225,000	109,858	339,867
NET BOOK VALUE				
At 31 December 2011	5,009	225,000	109,858	339,867

	Shares in group undertakings £	Interest in joint venture £	Listed investments £	Totals £
COST OR VALUATION				
At 1 January 2010	-	-	155,024	155,024
Additions	25,764	225,000	10,000	260,764
Revaluations	-	-	(3,760)	(3,760)
At 31 December 2010	25,764	225,000	161,264	412,028
NET BOOK VALUE				
At 31 December 2010	25,764	225,000	161,264	412,028

Notes

To the Consolidated Financial Statements - continued

11. INVESTMENTS - continued

Company

The Group or the Company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

Iron of Sweden Limited
Nature of business: Exploration for minerals

	%
Class of shares:	holding
Ordinary	100.00

	2011	2010
	£	£
Aggregate capital and reserves	100	100

During 2010 Beowulf Mining plc acquired 100% of the issued share capital of Iron of Sweden Limited in order to obtain the exploration permits held by the company. Beowulf Mining plc also granted a 1.5% net smelter royalty to the vendor on any and all future mineral or metal production from the permits, plus any subsequent permits or leases that are issued to Beowulf Mining plc, its subsidiaries or associated parties covering all or part of the area covered by the original permits.

During 2011 the permits valued at £25,664 were gifted to Jokkmokk Iron Mines AB (formerly Beowulf Mining AB), a wholly owned Swedish subsidiary of Beowulf Mining plc. Consequently, the investment in Iron of Sweden Limited has been revalued to £100 to reflect the issued share capital of Iron of Sweden Limited.

Jokkmokk Iron Mines AB (formerly Beowulf Mining AB)
Country of incorporation: Sweden
Nature of business: Exploration for minerals

	%
Class of shares:	holding
Ordinary	100.00

	2011
	£
Aggregate capital and reserves	4,909

During the year Beowulf Mining plc acquired 100% of the issued share capital of Jokkmokk Iron Mines AB, a new company incorporated in Sweden. Exploration permits valued at £25,664 previously held by Iron of Sweden Limited were gifted to the company for no consideration.

During the year Beowulf Mining plc transferred Swedish exploration permits and their associated costs amounting to £1,629,106 to Jokkmokk Iron Mines AB. The transfer has created an interest free inter-group loan between the companies and has no terms for repayment.

The investment in the share capital of Jokkmokk Iron Mines AB amounted to £4,909 and in accordance with the Group's accounting policies the investment is included at cost and has not been revalued.

11. INVESTMENTS - continued

Company

Joint Venture

Wayland Copper Limited
Nature of business: Exploration for minerals

	%		
Class of shares:	holding		
Ordinary	50.00		
		2011	**31/3/11**
		£	**£**
Aggregate capital and reserves		446,819	448,979
Loss for the period		(2,160)	(1,021)

Wayland Copper Limited is a Joint Venture company held 50% by Beowulf Mining plc and 50% by Energy Ventures Limited, a company incorporated in Australia.

The Joint Venture company was formed in 2010 to continue the exploration of the Ballek region in Sweden, with Beowulf Mining plc transferring its licences and exploration costs and Energy Ventures Limited transferring its drilling costs in return for £225,000 equity each in Wayland Copper Limited.

The investment in share capital for the 50% holding amounted to £225,000.

12. LOANS AND OTHER FINANCIAL ASSETS

Group

	Other loans £
At 1 January 2011	20,000
New convertible loan in year	250,000
At 31 December 2011	270,000

	Other loans £
At 1 January 2010	-
New convertible loan in year	20,000
At 31 December 2010	20,000

Notes

To the Consolidated Financial Statements - continued

12. LOANS AND OTHER FINANCIAL ASSETS - continued

Group

During the year Beowulf Mining plc made a loan of £250,000 to Agricola Resources plc under terms set out in convertible loan notes, whereby the loan accrues interest at 7% above the Bank of England Base Rate and is convertible into ordinary shares of Agricola at par until 30 June 2017.

In 2010 Beowulf Mining plc made a loan of £20,000 to Agricola Resources plc under terms set out in a convertible loan note, whereby the loan accrues interest at 3% above the Bank of England Base Rate and is convertible into ordinary shares of Agricola at par until 28 February 2013. The loan is secured on Agricola's interest in a joint venture it holds with L'Office des Hydrocarbures at des Mines in Morocco.

Agricola's shares are currently suspended from trading on PLUS pending completion of negotiations and the availability of funding to effect a reverse takeover of certain mineral assets. As at 31 December 2010 Agricola had stated net liabilities of £204,550. The directors feel the amount will be repayable in full and no provision is required against the debt.

The convertible loan notes subscribed in 2011 are secured against all of Agricola's assets, ranking behind Beowulf's existing legal charge in respect of Agricola's Morocco joint venture project, and are repayable on 30 June 2017 or, at Beowulf's option, immediately upon a fundraising of more than £400,000 being completed by Agricola, or any time thereafter. At Agricola's option, the convertible loan notes are redeemable early without penalty on 30 June 2012 or at six monthly intervals thereafter. Beowulf is entitled at its sole discretion to convert all or part of the principal loan amount advanced into new ordinary shares in Agricola at a conversion price of 1 pence per ordinary share at any time. The notes are transferable subject to certain limited restrictions.

In addition, Beowulf has been granted warrants to subscribe for up to 21,000,000 additional new ordinary shares in Agricola at an exercise price of 1 pence per new Agricola ordinary share at any time prior to 30 June 2014.

During 2010 Beowulf Mining plc entered into a joint venture agreement with Energy Ventures Limited, initially holding 50% each of the Project Company, Wayland Copper Limited.

Under the terms of the agreement a quarterly work programme and budget is prepared by the Operator and submitted to the board of directors of the Project Company for approval. Following approval, a written funding notice is issued to Beowulf Mining plc and Energy Ventures Limited showing the amount of funding which is required from them in order to finance the budget and work programme.

If a party elects to provide the requested funding they must do so within a predetermined time frame as set out in the joint venture agreement, or be deemed to have elected not to contribute to the requested funding. If a party does not elect to contribute to the requested funding, the other party shall be given the option of contributing such shortfall, in which case the parties respective interest in the Project Company will be adjusted in accordance with the agreement.

In the event that either party's interest in the Project Company falls to 10% or less, the interest will automatically convert to a 2% 'Net Smelter Return'. The remaining party will then have the option to acquire the Net Smelter Return by serving an Option Notice and proposing an acquisition price. The offer can either be accepted or referred to an independent expert for a final and binding valuation of the Net Smelter Return.

The initial loans of £9,658 to joint ventures are in respect of funding notices issued by the Project Company at the balance sheet date as detailed above. During 2011, Beowulf Mining plc provided further funding of £47,351 to the Project Company to extend the term of the exploration permits.

Notes

To the Consolidated Financial Statements - continued

12. LOANS AND OTHER FINANCIAL ASSETS - continued

Company

	Loans to group undertakings £	Loans to joint ventures £	Other loans £	Totals £
At 1 January 2011	-	9,658	20,000	29,658
New loans in year	1,629,106	47,351	250,000	1,926,457
At 31 December 2011	1,629,106	57,009	270,000	1,956,115

	Loans to joint ventures £	Other loans £	Totals £
At 1 January 2010	-	-	-
New loans in year	9,658	20,000	29,658
At 31 December 2010	9,658	20,000	29,658

During the year, the Company transferred Swedish exploration permits and their associated costs amounting to £1,629,106 to a wholly owned Swedish subsidiary Jokkmokk Iron Mines AB (formerly Beowulf Mining AB).
The transfer has created an interest free inter-group loan between the companies and had no terms for repayment.

The loans of £57,009 (2010: £9,658) to joint ventures are in respect of funding notices issued and the renewal of exploration permits for Wayland Copper Limited as detailed above.

Other loans of £270,000 (2010: £20,000) are under the terms of convertible loan notes as detailed above.

13. TRADE AND OTHER RECEIVABLES

	Group 2011 £	2010 £	Company 2011 £	2010 £
Current:				
Other receivables	38,063	164,346	10,658	160,615
VAT	143,356	149,815	143,356	149,815
Prepayments and accrued income	16,051	28,599	16,051	28,599
	197,470	342,760	170,065	339,029

14. CASH AND CASH EQUIVALENTS

	Group 2011 £	2010 £	Company 2011 £	2010 £
Cash in hand	250	-	250	-
Bank deposit account	6,038,755	227,559	6,038,755	227,559
Bank accounts	11,955	5,030	7,239	5,030
	6,050,960	232,589	6,046,244	232,589

Notes

To the Consolidated Financial Statements - continued

15. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Allotted, called up and fully paid		
210,427,365 (2010: 159,796,689) ordinary shares of 1p each	2,104,273	1,597,966

2,422,221 ordinary shares of 1p each were allotted as fully paid at a premium of 44p per share during the year.

44,638,890 ordinary shares of 1p each were allotted as fully paid at a premium of 14p per share during the year.

400,000 ordinary shares of 1p each were allotted as fully paid at a premium of 1.5p per share during the year in respect of the exercise of warrants.

2,500,000 ordinary shares of 1p each were allotted as fully paid at a premium of 4p per share during the year in respect of the exercise of share options.

69,565 ordinary shares of 1p each were allotted as fully paid at a premium of 4.75p per share during the year in respect of the exercise of warrants.

250,000 ordinary shares of 1p each were allotted as fully paid at a premium of 5p per share during the year in respect of the exercise of share options.

350,000 ordinary shares of 1p each were allotted as fully paid at a premium of 6p per share during the year in respect of the exercise of share options.

The number of shares in issue are as follows:

	2011 No.	2010 No.
At 1 January 2011		
	159,796,689	105,898,247
Issued during the year	47,061,111	53,898,442
Share options and warrants exercised	3,569,565	-
At 31 December 2011	210,427,365	159,796,689

16. RESERVES

Group

	Retained earnings £	Share premium £	Revaluation reserve £
At 1 January 2011	(3,611,606)	3,904,399	36,264
Deficit for the year	(832,235)	-	-
Cash share issue	-	7,458,026	-
Revaluation in year	-	-	(51,406)
Cost of share issue	-	(503,520)	-
Share options exercised	14,478	-	-
At 31 December 2011	(4,429,363)	10,858,905	(15,142)

16. RESERVES - continued

Group

	Capital contribution reserve £	Share scheme reserve £	Translation reserve £	Totals £
At 1 January 2011	46,451	28,871	-	404,379
Deficit for the year				(832,235)
Cash share issue	-	-	-	7,458,026
Revaluation in year	-	-	-	(51,406)
Cost of share issue	-	-	-	(503,520)
Equity-settled share-based payment transactions	-	53,924	-	53,924
Share options exercised	-	(14,478)	-	-
Exchange translation difference	-	-	(193)	(193)
At 31 December 2011	46,451	68,317	(193)	6,528,975

	Retained earnings £	Share premium £	Revaluation reserve £
At 1 January 2010	(3,137,211)	2,847,719	40,024
Deficit for the year	(474,395)	-	-
Cash share issue	-	1,136,680	-
Revaluation in year	-	-	(3,760)
Cost of share issue	-	(80,000)	-
At 31 December 2010	(3,611,606)	3,904,399	36,264

Notes

To the Consolidated Financial Statements - continued

16. RESERVES - continued

	Capital contribution reserve £	Share scheme reserve £	Totals £
At 1 January 2010	46,451	5,351	(197,666)
Deficit for the year			(474,395)
Cash share issue	-	-	1,136,680
Revaluation in year	-	-	(3,760)
Cost of share issue	-	-	(80,000)
Equity-settled share-based payment transactions	-	23,520	23,520
At 31 December 2010	46,451	28,871	404,379

Company

	Retained earnings £	Share premium £	Revaluation reserve £
At 1 January 2011	(3,566,586)	3,904,399	36,264
Deficit for the year	(831,155)	-	-
Cash share issue	-	7,458,026	-
Revaluation in year	-	-	(77,070)
Cost of share issue	-	(503,520)	-
Share options exercised	14,478	-	-
At 31 December 2011	(4,383,263)	10,858,905	(40,806)

Company

	Capital contribution reserve £	Share scheme reserve £	Totals £
At 1 January 2011	46,451	28,871	449,399
Deficit for the year	-	-	(831,155)
Cash share issue	-	-	7,458,026
Revaluation in year	-	-	(77,070)
Cost of share issue	-	-	(503,520)
Equity-settled share-based payment transactions	-	53,924	53,924
Share options exercised	-	(14,478)	-
At 31 December 2011	46,451	68,317	6,549,604

16. RESERVES - continued

	Retained earnings £	Share premium £	Revaluation reserve £
At 1 January 2010	(3,137,211)	2,847,719	40,024
Deficit for the year	(429,375)	-	-
Cash share issue	-	1,136,680	-
Revaluation in year	-	-	(3,760)
Cost of share issue	-	(80,000)	-
At 31 December 2010	(3,566,586)	3,904,399	36,264

	Capital contribution reserve £	Share scheme reserve £	Totals £
At 1 January 2010	46,451	5,351	(197,666)
Deficit for the year	-	-	(429,375)
Cash share issue	-	-	1,136,680
Revaluation in year	-	-	(3,760)
Cost of share issue	-	-	(80,000)
Equity-settled share-based payment transactions	-	23,520	23,520
At 31 December 2010	46,451	28,871	449,399

17. TRADE AND OTHER PAYABLES

	Group 2011 £	2010 £	Company 2011 £	2010 £
Current:				
Trade payables	127,333	55,538	127,333	55,538
Social security and other taxes	13,692	2,978	13,692	2,978
Other payables	133,604	-	133,704	100
Accruals and deferred income	25,365	24,454	24,285	24,454
	299,994	82,970	299,014	83,070

18. FINANCIAL INSTRUMENTS

The Group and Company financial instruments comprise cash and cash equivalents, loans, investments and financial assets and various items such as trade receivables, trade payables, accruals and prepayments that arise directly from its operations.

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

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

The following tables illustrate the contractual maturity profiles of the financial liabilities, all of which are repayable within one year, as at 31 December:

Group	**2011**	**2010**
	£	**£**
Current liabilities:		
Trade and other payables	286,302	79,992
Tax liabilities	13,692	2,978
	299,994	82,970

Company		
Current liabilities:		
Trade and other payables	285,322	80,092
Tax liabilities	13,692	2,978
	299,014	83,070

All of the Group and Company liabilities are due for payment within one year.

Credit Risk

The Group's principal financial assets are cash and cash equivalents and the loans and taxation 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 Company has made an unsecured loan of £1,629,106 (2010: nil) to its Swedish subsidiary Jokkmokk Iron Mines AB in respect of exploration permits transferred to the subsidiary. Although it is repayable on demand, it is unlikely to be repaid until the project becomes successful and the subsidiary starts to generate revenue.

Capital Management

The Company's capital consists wholly of ordinary shares. The Board's policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, whilst balancing these objectives with the efficient use of capital.

Analysis of Total Financial Liabilities and Financial Assets

The table below sets out the Group's IAS 39 classification of each of its financial assets and liabilities at 31 December 2011. All amounts are stated at their carrying value:

Notes

To the Consolidated Financial Statements - continued

18. FINANCIAL INSTRUMENTS - continued

Group

At 31 December 2011

	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	6,050,960
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	467,470
Other financial liabilities	-	-	-
	-	-	6,518,430

	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	6,050,960
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	467,470
Other financial liabilities	-	(299,994)	(299,994)
	-	(299,994)	6,218,436

At 31 December 2010

	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	232,589
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	362,760
Other financial liabilities	-	-	-
	-	-	595,349

	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	232,589
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	362,760
Other financial liabilities	-	(82,970)	(82,970)
	-	(82,970)	512,379

Notes

To the Consolidated Financial Statements - continued

18. FINANCIAL INSTRUMENTS - continued

Company

At 31 December 2011

	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	6,046,244
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	2,126,180
Other financial liabilities	-	-	-
	-	-	8,172,424

	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	6,046,244
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	2,126,180
Other financial liabilities	-	(299,014)	(299,014)
	-	(299,014)	7,873,410

At 31 December 2010

	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	232,589
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	368,687
Other financial liabilities	-	-	-
	-	-	601,276

	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	232,589
Derivative financial assets	-	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	368,687
Other financial liabilities	-	(83.070)	(83,070)
	-	(83,070)	518,206

18. FINANCIAL INSTRUMENTS - continued

Other financial assets comprise trade and other receivables due within and after more than one year. Other financial liabilities comprise trade and other payables and accruals due within and after more than one year.

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 value of its holdings in financial instruments.

Sensitivity Analysis

The Group has carried out a sensitivity analysis that measures the estimated charge to the income statement and equity of a 1% difference in market interest rates applicable at 31 December 2011 with all other measures remaining constant. Similarly, the sensitivity analysis in respect of currency risk measures the estimated charge to the income statement and equity of a 10% difference in the market rate of the Swedish Kroner, the major currency to which the Group is exposed.

The sensitivity analysis includes the following assumptions:

a) Changes in market interest rates only affect interest income or expense of variable financial instruments.

b) Changes in foreign currency rates only affect those items of income and expense and assets and liabilities denominated in the said currencies.

Interest rate risk

	Income Statement		Equity (before tax)	
	100 bps Increase £	100 bps Decrease £	100 bps Increase £	100 bps Decrease £
Variable rate instruments	2,700	(2,700)	2,700	(2,700)

Currency risk

	Income Statement		Equity (before tax)	
	10% Increase £	10% Decrease £	10% Increase £	10% Decrease £
Cash and cash equivalents	-	-	(472)	472

Fair Values of Financial Assets and Liabilities

The carrying values of the financial instruments of the Group and Company are the same as their fair values.

Commodity Price Risk

The principal activity of the Group is the exploration for iron, copper, gold and uranium in Sweden, and the principal market risk facing the Group is an adverse movement in the price of such commodities. Any long term adverse movement in the commodity prices would affect the commercial viability of the Group's various projects.

19. RELATED PARTY DISCLOSURES

During the year the Company transferred Swedish exploration permits and their associated costs amounting to £1,629,106 to a wholly owned Swedish subsidiary Jokkmokk Iron Mines AB (formerly Beowulf Mining AB). The transfer has created an interest free inter-group loan between the companies and has no terms for repayment.

During the year the Company paid Tearne Foulsham Limited fees and expenses amounting to £37,135 (2010: £30,877). Mr E Taylor is a director and shareholder of this company. No amounts were outstanding at the year-end (2010: Nil).

During the year the Company paid exploration fees of £209,572 (2010: £227,801) to Geoexperten, a business owned by Dr Jan-Ola Larsson. Further fees of £84,375 (2010: £45,000) were paid to Geoexperten during the year in respect of director's services of Dr Jan-Ola Larsson. No amounts were outstanding at the year-end (2010: Nil).

During the year the Company paid fees and expenses of £27,581 (2010: £19,172) to Merchant Adventurers Company Limited, a company of which Mr C Sinclair-Poulton is a director and shareholder. Further fees of £42,700 (2010: £18,883) were paid to Merchant Adventurers Company Limited during the year in respect of director's services of Mr C Sinclair-Poulton. No amounts were outstanding at the year-end (2010: Nil).

During the year the company paid exploration costs of £136,631 to FHB AB, a Swedish company of which Mr Fred Boman is a director and shareholder. No amounts were outstanding at the year end.

In 2010 the Company subscribed for convertible loan notes of £20,000 issued by Agricola Resources plc, a PLUS listed company of which Mr A C R Scutt and Mr C Sinclair-Poulton are also directors. The convertible loan notes accrue interest at 3% above the Bank of England Base Rate and are convertible into ordinary shares in Agricola at par until 28 February 2013.

During the year the Company subscribed for further convertible loan notes issued by £250,000 to Agricola Resources plc. The convertible loan notes accrue interest at 7% above the Bank of England Base Rate and are convertible into ordinary shares in Agricola at par until 30 June 2017. At the year end, the Company had funded £221,274 in respect of the convertible loan notes and £28,726 is included in other payables and available for Agricola to draw down.

The interest charge for the year in respect of the loan notes amounted to £10,075 (2010: £583) and this is included in other receivables at the year end.

Key management personnel compensation

The directors' and key management personnel of the Company during the year were are follows:
Mr C Sinclair-Poulton (Executive Chairman)
Dr J-O Larsson (Technical director)
Mr F Boman (Production director)
Mr A C R Scutt (Non-Executive director)
Mr E Taylor (Non-Executive director and company secretary)

19. RELATED PARTY DISCLOSURES - continued

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

	2011	2010
	£	£
Short-term employee benefits	338,847	128,032
Share based benefits	48,729	-
	387,576	128,032

Details of key management personnel compensation are disclosed in the Remuneration Report included in the Directors Report.

Key management personnel equity holdings

Details of key management personnel's beneficial and other interests in the fully paid ordinary shares of the Company and share options held, are disclosed in the Directors Report.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2011	2010
	£	£
Loss for the financial year	(832,235)	(474,395)
Proceeds of share issue	7,964,333	1,675,664
Equity-settled share-based payments	53,924	23,520
Revaluation of listed investments	(51,406)	(3,760)
Cost of share issue	(503,520)	(80,000)
Exchange translation difference	(193)	-
Net addition to shareholders' funds	6,630,903	1,141,029
Opening shareholders' funds	2,002,345	861,316
Closing shareholders' funds	8,633,248	2,002,345

Company

	2011	2010
	£	£
Loss for the financial year	(831,155)	(429,375)
Proceeds of share issue	7,964,333	1,675,664
Equity-settled share-based transactions	53,924	23,520
Revaluation of listed investments	(77,070)	(3,760)
Cost of share issue	(503,520)	(80,000)
Net addition to shareholders' funds	6,606,512	1,186,049
Opening shareholders' funds	2,047,365	861,316
Closing shareholders' funds	8,653,877	2,047,365

21. SHARE-BASED PAYMENT TRANSACTIONS

The Group has a share option programme that entitles the holders to purchase shares in the Company with the options exercisable at the price determined at the date of granting the option. There are no vesting conditions to be met and all options are to be settled by the issue of shares:

Grant date	Number of instruments	Contractual life of options
5 June 2008	500,000	4 years
24 September 2010	500,000	5 years
11 October 2011	24,222	4 years
7 December 2011	3,530,000	5 years
Options outstanding at 31 December	4,554,222	

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at 1 January	5.5976p	4,100,000	5.3151p	3,250,000
Exercised during the year	5.3065p	(3,100,000)	-	-
Granted during the year	30.1022p	3,554,222	7.0000p	850,000
Outstanding and exercisable at 31 December	24.6804p	4,554,222	5.5976p	4,100,000

During the year 3,100,000 (2010: nil) options were exercised with a weighted average exercise price of 5.306p. The options outstanding at 31 December 2011 have an exercise price in the range of 6p to 45p (2010: 5p to 7p) and a weighted average remaining contractual life of 4.305 years (2010: 2.111 years).

The fair value of services received and commission payable in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model, with the following inputs:

	Services 7.12.11	Services 11.10.11	Services 24.09.10	Services 5.06.08
Fair value at grant date	7.638p	14.861p	2.913p	0.557p
Share price	16.1p	35.5p	6.5p	4.5p
Exercise price	30.0p	45.0p	7.0p	6.0p
Expected volatility	70.21%	58.31%	48.31%	20%
Option life	5 years	4 years	5 years	4 years
Risk-free interest rate	4%	4%	4%	5%

The expected volatility was determined by reviewing the actual volatility of the Company's share price since its listing on AIM to the date of granting the option. In calculating the fair value, consideration was given to the market trends at the grant date of the option.

There is an expense of £53,923 (2010: £23,520) for the year in respect of goods and services received in respect of equity-settled share-based payment transactions.

Notes

To the Consolidated Financial Statements - continued

22. POST BALANCE SHEET EVENTS

There has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material nature, likely, in the opinion of the Directors of the Company, to effect:

(i) The Company's operations in future financial periods; or
(ii) The results of those operations in future periods; or
(iii) The Company's state of affairs in future financial periods.

Notice
of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the **"Meeting"**) of Beowulf Mining plc (the **"Company"**) will be held at St Stephen's Club, 34 Queen Anne's Gate, London SW1H 9AB on Friday 29 June 2012 at 11.00 a.m. to transact the following business:

As Ordinary Business

1 To receive and consider the Company's audited financial statements for the year ended 31 December 2011 and the directors' and auditors' reports thereon.

2 To approve and consider the Remuneration Report as detailed on page 19 of the Company's annual report and financial statements.

3 To re-elect Jan-Ola Larsson, who is retiring by rotation, as a director of the Company.

4 To re-appoint Price Bailey LLP as auditor and authorise the directors to fix the auditor's remuneration.

As Special Business

To consider and if thought fit to pass the following Resolution which will be proposed as an Ordinary Resolution:

Ordinary Resolution

5 That the Directors be generally and unconditionally authorised to allot equity securities (as defined in section 560 of the Companies Act 2006):

5.1 in the case of ordinary shares in the Company, having a nominal amount; and

5.2 in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares in the Company having a nominal amount, not exceeding, in aggregate, £315,641 provided that the power granted by this resolution shall expire on the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot equity securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

To consider and if thought fit to pass the following Resolution which will be proposed as a Special Resolution:

Special Resolution

6 That, subject to the passing of resolution 5, the Directors be given the general power to allot equity securities (as defined by section 560 of the Companies Act 2006) for cash, either pursuant to the authority conferred by resolution 5 or by way of a sale of treasury shares, as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities having:

6.1 in the case of ordinary shares in the Company, having a nominal amount; and

6.2 in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares in the Company having a nominal amount, not exceeding, in aggregate, £315,641 provided that the power granted by this resolution shall expire on the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board

Edward Taylor
Company secretary

Beowulf Mining plc
Richmond House
Broad Street
Ely
Cambridgeshire
CB7 4AH

6 June 2012

Notes to the Notice of Annual General Meeting:

Entitlement to attend, speak and vote

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:

- 6.00 p.m. on 27 June 2012; or,
- If this Meeting is adjourned at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend, speak and vote at the Meeting.

Changes to the register of members after 6.00 p.m. on 27 June 2012 shall be disregarded in determining the rights of any person to attend, speak and vote at the Meeting.

Appointment of proxies

2 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please use the procedures set out in the notes to the proxy form.

4 To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed (or a copy of it notorially certified in some other way approved by the directors) must be sent or delivered to Neville Registrars Limited at Neville House,18 Laurel Lane, Halesowen, West Midlands B63 3DA so as to arrive not less than 48 hours before the time of the meeting. Completion of the proxy form does not preclude a member from subsequently attending and voting at the meeting in person.

Communication

5 Except as provided above, members who have general queries about the Meeting should telephone Edward Taylor on 01366 500 722 (no other methods of communication will be accepted):

6 You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- in any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.

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BEOWULF MINING PLC

Registered Office:
Richmond House
Broad Street
Ely
Cambridgeshire
CB7 4AH

www.beowulfmining.com