03 June 2020

Beowulf Mining plc

("Beowulf" or the "Company")

Letter to the Minister for Business, Industry and Innovation, The Government of Sweden

Beowulf (AIM: BEM; Spotlight: BEO), the mineral exploration and development company, announces that Kurt Budge CEO has written to Mr Ibrahim Baylan, Minister for Business, Industry and Innovation, The Government of Sweden.

The letter, sent yesterday, is below:

London 2020.06.02

Statsrådet Ibrahim Baylan

Näringsdepartementet

Minister,

There is considerable stock market anticipation as to your response this Wednesday to the Parliamentary Question put to you by Mr Lars Hjälmered.

I politely remind you that Beowulf Mining is a public company and any statements made public when stock markets are open can generate unwarranted volatility in trading and pricing of the Company’s shares.

In late January 2017, after a public statement by Länstyrelsen Norrbotten, with no forewarning to Beowulf, the Company’s shares were suspended from trading for 24-hours, until such time that a full explanation of the statement could be disclosed to markets. However, the damage had already been done, with the Company’s share price falling 40 per cent in Stockholm.

Since you, and I, attended the Mining Nordic Day in Toronto in early March, the Government has understandably prioritised its response to the COVID-19 pandemic, the short-medium term need for Government support to protect businesses, safeguard jobs, livelihoods and the wellbeing of Swedish society, as economic activity is constrained.

In Toronto, you saved your biggest welcome for investors. I reminded you that Beowulf has been invested in Sweden and working on Kallak for 14 years. You also said that I was welcome to do business in Sweden. The fact of the matter is, Beowulf is unable to do business in Sweden, because we cannot get a decision on Kallak from the Government.

In May 2019, the State Secretary said to Göran Färm, Beowulf’s Chairman, and me, in a face to face meeting in Stockholm, that the Government understood the importance of Kallak to
Jokkmokk. Jokkmokk’s need for investment and jobs is acute, and, with the added pressure of COVID-19, it would seem logical that a project such as Kallak, which has the potential to bring billions of SEK in investment and hundreds of jobs to northern Sweden, should be approved.

What is often overlooked in the debate around mining projects is the risk capital needed to develop a mine, the timeline for investment and the ‘big picture’ economic impact that a mining project, such as Kallak, can create.

The first exploration licence for Kallak was granted in 2006 and to date over SEK 80 million has been invested. If a Concession were to be granted today, then it would take ~18 years from the beginning to get to a producing mine. The investment in building a mine can support further investments and commercial opportunities in rail, port, downstream processing and end-uses.

Bergsstaten, as part of the SGU, a Government Office, has seen the Company drill almost 28,000 metres, 131 drill holes, to define a potential 250 million tonnes of iron ore, which is an asset to Sweden’s iron ore resource inventory. The SGU first discovered Kallak in the 1940s, designated it an Area of National Interest (“ANI”) in 2013 and produced its latest study, headlined ‘New light on iron ore at Kallak’, last month. Kallak has been on the SGU’s radar for 80 years!

Bergsstaten recommended to the Government in October 2015, that the Concession for Kallak should be awarded, and last October awarded an Exploration Permit for Parkijaure nr 6, which covers approximately 1,000 hectares and lies immediately to the south of the Kallak deposits.

On the evidence, the authorities are happy for Beowulf to continue to invest in iron ore exploration, which in the context of LKAB’s announcement, in October 2018, on diminishing reserves at Kiruna and the need to replenish, recent seismic activity disrupting production at Kiruna, while thankfully sparing lives, and Government statements on a sustainable mining industry, makes sense. Yet, over 4.5 years after Bergsstaten recommended to the Government that the Concession for Kallak be awarded and with Beowulf planning to drill the 90-100 million tonnes Exploration Target at Kallak South this Autumn, we have no decision.

In Toronto, the ‘rule of law’ was mentioned as one of Sweden’s attributes. Both Social Democrat and Green parties in Sweden have said that a decision on Kallak should be taken in accordance with the law. Beowulf has demonstrated with the Concluding Statement submitted to the Government last November, prepared by lawyers Mannheimer Swartling and Fröberg and Lundholm, that, under judicial review, Beowulf’s application has satisfied all requirements.

The Green Party may, in part, be using Länsstyrelsen Norrbotten’s statement from November 2017 as justification for obstructing the Kallak Concession being awarded. Länsstyrelsen Norrbotten concluded that reindeer herding is a better use of the 13.6 square kilometres of land at Kallak, ignoring the SGU’s ANI designation, effectively deeming Kallak a ‘stranded asset’. Länsstyrelsen Norrbotten’s statement was erroneous and contradicted its response to the Government on the economic case for Kallak, made in July 2015, when it described positive local, regional and national economic effects.

Beowulf has several thousand Swedish shareholders, who own over 67 per cent of the Company. They have witnessed the Government’s unacceptable mishandling of the Kallak application and false promises; the opportunity cost of which is incalculable. They are
demanding the Government be fully transparent now and remove all uncertainty as to when a decision on Kallak will be taken.

Beowulf is ready to play its part in Sweden’s economic recovery, to advance Kallak in partnership with the community in Jokkmokk, which includes Sami reindeer herders. Benchmark iron ore prices have risen above US$ 100 per tonne this week and investors with cash are looking for investment opportunities, such as Kallak, and towards mining jurisdictions that function effectively.

Yours sincerely,

Kurt Budge
Chief Executive Officer

Kallak – ‘Big Picture’

- In 2017, Copenhagen Economics produced a ‘Big Picture’ study for Kallak (“the Study” or “the Kallak Study”):


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

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

- The Kallak Study demonstrated that the economic effect of Kallak is ‘not just about a mine’. A mining project would economically transform Jokkmokk and support downstream investments and economic activity e.g. Inlandsbanan, Luleå Hamn, Vattenfall etc, spreading the benefits, through Norrbotten and beyond.

- When it comes to Kallak’s economic effect on Jokkmokk, the Study highlights were as follows:

  - A mining operation at Kallak has the potential to create 250 direct jobs and over 300 indirect jobs in Jokkmokk, over the period that a mine is in operation.

  - These jobs could be sustained over a period of 25 years or more, if the Kallak South deposit is mined after the Kallak North deposit, and further deposits at Parkijaure can be defined.

  - The Company will seek to establish a ‘Task Force’ with Jokkmokks Kommun and local employment agencies, so that between now and the start of operations, plans are developed and implemented to make sure as many as possible jobs are available to people living in Jokkmokk.
• Kallak has the potential to generate SEK 1 billion in tax revenues, considering the case where 70 per cent of the mine’s workforce are based locally, with annual tax revenues of SEK 40 million over a 25 years mine life.

• These tax revenues would help to develop and sustain public services and infrastructure in Jokkmokk, which are at risk due to a lack of new investment and job creation in the community, a declining population, and an ageing population.

Kallak - Background

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

The first exploration licence for Kallak was awarded by the Mining Inspectorate of Sweden in 2006. A Mineral Resource Estimate for Kallak North and South, based on 27,895 m of drilling conducted between 2010-2014, 131 drillholes, was finalised on 28 November 2014. Following the guidelines of the JORC Code, 2012 edition, an Indicated Resource of 118.5 Mt at 27.5 per cent iron content (“Fe”) and Inferred Resource of 33.8 Mt at 26.2 per cent Fe was defined. In addition, there is an exploration target of 90-100 Mt at 22-30 per cent Fe.

Testwork on Kallak ore has shown that a ‘super’ high grade magnetite concentrate can be produced, yielding over 71 per cent iron content, with low levels of deleterious elements, including phosphorous and sulphur, lending itself to pelletisation and consumption in Direct Reduction Iron (“DRI”) facilities in Europe and the Middle East, and attracting a potential price premium.

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

Competent Person Review

The information in this announcement has been reviewed by Mr. Rasmus Blomqvist, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Rasmus Blomqvist has sufficient experience, that is relevant to the style of mineralisation and type of deposit taken into consideration, and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr. Rasmus Blomqvist is a full-time employee of Oy Fennoscandian Resources AB, a 100 per cent owned subsidiary of Beowulf.

Mr Blomqvist consents to the inclusion in the announcement of the information presented in the form and context in which it appears.

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Cautionary Statement

Statements and assumptions made in this document with respect to the Company's current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of Beowulf. Forward-looking statements include, but are not limited to, those using words such as "may", "might", "seeks", "expects", "anticipates", "estimates", "believes", "projects", "plans", "strategy", "forecast" and similar expressions. These statements reflect management's expectations and assumptions in light of currently available information. They are subject to a number of risks and uncertainties, including, but not limited to, (i) changes in the economic, regulatory and political environments in the countries where Beowulf operates; (ii) changes relating to the geological information available in respect of the various projects undertaken; (iii) Beowulf's continued ability to secure enough financing to carry on its operations as a going concern; (iv) the success of its potential joint ventures and alliances, if any; (v) metal prices, particularly as regards iron ore. In the light of the many risks and uncertainties surrounding any mineral project at an early stage of its development, the actual results could differ materially from those presented and forecast in this document. Beowulf assumes no unconditional obligation to immediately update any such statements and/or forecasts.