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Greenland Minerals A/S

Nuugaarmiunut 523 B
3921 Narsaq
CVR No. 12449550

Annual report 2022

The Annual General Meeting adopted the annual report on 21.06.2023

Edward James Mason
Chairman of the General Meeting

Contents

Entity details

Entity

Greenland Minerals A/S
Nuugaarmiunut 523 B
3921 Narsaq

Business Registration No.: 12449550
Registered office: Kujalleq
Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Edward James Mason, chairman
Daniel Philippe Mamadou Blanco
Miles Simon Guy

Executive Board

Daniel Philippe Mamadou Blanco

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Greenland Minerals A/S for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Greenlandic Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 21.06.2023

Executive Board

Daniel Philippe Mamadou Blanco

Board of Directors

Edward James Mason
chairman

Daniel Philippe Mamadou Blanco

Miles Simon Guy

Independent auditor's report

To Management of Greenland Minerals A/S

Opinion

We have audited the financial statements of Greenland Minerals A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Greenlandic Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Greenlandic Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Greenland. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Greenland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We refer to note 3 regarding uncertainty relating to recognition and measurement of the valuation of the development projects. Our conclusion is not modified regarding this issue.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Greenlandic Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Greenland will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Greenland, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Greenlandic Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Greenlandic Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 21.06.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jan Larsen
State Authorised Public Accountant
Identification No (MNE) mne16541

Management commentary

Primary activities

Greenland Minerals A/S (the 'Company' or 'GMAS'), is a wholly owned subsidiary of Greenland Minerals and Energy Limited ("Parent").

The Company's principal activity is a mineral exploration and project evaluation. The Company is primarily focused on advancing the 100% owned Kvanefjeld in southern Greenland. This is a multi-element project (both light and heavy rare earth elements, uranium, and zinc) progressing through the feasibility and permitting phase with the aim to move into mine development.

Development in activities and finances

2022 Overview and Review of operations

Since 2007 the Greenland Minerals A/S (the 'Company') has focused on the development of the Kvanefjeld project in Greenland.

Kvanefjeld is one of the world's largest and most important undeveloped rare earth projects with the potential to be a significant supplier of critical materials key to an energy efficient and environmentally sustainable future.

Kvanefjeld is underpinned by a JORC-code compliant resource of more than one billion tonnes, and an ore reserve estimate of 108 million tonnes to sustain an initial 37-year mine life. Kvanefjeld offers a new, simpler path to rare earth production than traditional refractory sources. Recovery of several by-products in addition to neodymium, praseodymium, terbium and dysprosium during the production of a rare earth intermediate product rich in critical magnet rare earths will ensures low production costs.

Commencement of Dispute Resolution

November 2021, Greenland's parliament passed Greenland Parliament Act No. 20 to ban uranium prospecting, exploration and exploitation, etc ('Act No. 20'). The Government of Greenland has advised the Company that under the application of Act No. 20, the Company will not be granted an exploitation licence under the Company's initial exploitation licence application.

The Company has commenced an arbitration to determine (amongst other things) whether the Company had a right to an exploitation licence before Act No. 20. GMAS has also claimed that, if Act No. 20 is applied to the Kvanefjeld project, it has a right to receive damages in compensation for expropriation.

The position taken by the Government of Greenland currently leaves the Company with no option than to enforce the Company's right to an exploitation license and to protect our shareholders' interests.

The Company remains keen to resolve this dispute with the Government's and to obtain the exploitation licence that enables this nation building development project to proceed. To that end, the Company is maintaining its application for an exploitation licence and, in the arbitration, is seeking an independent legal ruling from the tribunal on whether GMAS had a right to an exploitation licence before Act No. 20, which goes to the question whether Act No. 20 applies. The Company is taking this approach because it wishes to see the Kvanefjeld Project through and believes that it is legally able and entitled to do so. Act No. 20 explicitly states that it does not apply to existing licences (of which the exploration licence held by GMAS is one) and the explanatory note to Act No. 20 emphasises that Act 20 does not apply if its application would result in an expropriation (which would be the case, if GMAS were deprived of its entitlement to an exploitation licence).

2022 Field Season

In May the Company received approval from Greenland's Mineral Licence and Safety Authority ('MLSA') to conduct field activities on the project in the northern summer.

The scope of the program of activities involves:
- Dust monitoring
- Water sampling
- Radon monitoring, and
- Sea bed sampling.

These activities are being undertaken pursuant to recommendations made by the Danish Centre for Environment and Greenland Institute for Natural Resources ('DCE/GINR'), with the knowledge of the Environmental Agency for Mineral Resources ('EAMRA'), and as noted above, with the approval of the MLSA. The aim of the work program is to address some of the "type 2 issues" that were agreed previously with the Greenland Government, that would need to be addressed prior to development approval.

The field season was carried out during August 2022, water and tissue samples from cattle, native fauna and food sources were collected by WSP (formerly Orbicon) and sent for analysis. Water samples were taken from the mine lake, Bredefjord and from the source of drinking water for the town of Narsaq. Benthic samples were taken from Bredefjord and from Narsap Ilua and tissue samples were collected from fauna and cattle in the Narsaq valley.
A high-volume dust sampler, with attached weather station, was set up at the cattle farm in the Narsaq valley. The dust collection campaign is expected to run for 12 months. The samples will be sent to the Norwegian Institute for Air Research ('NILU') for analysis at the end of the campaign.

Planning for a radon monitoring programme was undertaken. The proposed plan has been reviewed by EAMRA, the Greenland government's environmental agency, and the company is preparing an implementation strategy. During September, Company representatives meet with stakeholders in both Nuuk and Narsaq. COVID travel restrictions have meant that this was the first visit since the start of the pandemic. Meetings were held with a cross-section of stakeholders including businesses, special interest groups, and Narsaq residents.
The opportunity was taken to brief interested parties in developments with the project and the company including the arbitration proceedings with the Governments of Greenland and Denmark.

Exploitation Licence Application Licensing

The Company received a draft decision on 22 July 2022 on the Company's application for an exploitation licence for the Kvanefjeld Project ('draft decision'). In the draft decision, the Greenland Ministry of Mineral Resources and Justice ('Ministery') proposes to reject the Company's exploitation licence application, because it would involve exploitation of an ore body that contains more than 100 ppm of uranium (the threshold that was introduced in Act No. 20).

The Company is disappointed with the Government's actions in making this draft decision which relies on the application of Act No. 20, when the application of Act No. 20 is one of the questions submitted for determination in the arbitration. In addition, the Government has taken the decision despite the fact that some requirements for an exploitation licence remain outstanding, specifically the completion of the White Papers and the Impact Benefit Agreement.

The Company was given four weeks to submit a response to the draft decision. The Government indicated that, after the consultation process on the draft decision, it intends to proceed to make a final decision on the Company's exploitation licence application.

The Draft Decision covers matters spanning a period of around 15 years, over which time the Company has operated in Greenland investing in the Kvanefjeld Project. Given the vast range and complexity of matters covered by the Draft Decision, the Company sought, on 17 August 2022, an extension of time beyond the four week period to submit its full response.

In connection with this extension request, the Company has also requested access to the file containing all relevant material upon which the Draft Decision was based.

On 19 August 2022, the Company lodged a preliminary response to the draft decision. In its preliminary response, the Company objected to the draft decision on both factual and legal grounds. The Company objected to breaches of procedure and serious errors of substance, and the legality of the proposed conclusion to reject the Company's exploitation licence application and of the making of any final decision for the reasons set out in the draft decision.

Access to some of, but not all, the relevant material was provided to the Company by the Ministry between 28 December 2022, and 17 February 2023.

On 17 February 2023, the Company formally responded to the Greenland Government's draft decision to deny its Exploitation License application for the Kvanefjeld project ('the Response'). The Response was supported by a detailed Statement of Facts and set out several objections to the arguments that the Government put forward in support of its draft decision. The Response was submitted under protest because the Company had not been given sufficient time to review the documents provided.

On 1 June 2023, the Company received a letter from the Greenland authorities, which stated, "the Government of Greenland refuses the application dated 17 June 2019 for an exploitation licence for the Kuannersuit project." The letter stated the rejection was based on the application of Act No. 20 and was not a decision on the amended exploitation licence application. The Company will be seeking further legal advice, to assess options available.

Amendment to the Exploitation Licence Application

On 16 December 2022, the Company submitted an amendment to its existing application for an exploitation licence for the Kvanefjeld Project in Greenland to the Mineral Resource Authority. The amendment supplements the Company's existing application to include an alternative development scenario for which an exploitation licence may be granted for the Kvanefjeld Project. Specifically, under the alternative development scenario the Company will exploit only rare earth elements, zinc and fluorspar (and not uranium). Under the alternative development scenario, rather than being exploited, uranium will be removed as an impurity and safely treated and stored in the tailings facility. This modification is documented in the amended Process Flow Sheet, Feasibility Study and Environmental Impact Assessment ('EIA') submitted by the Company with the amendment.
The alternative development scenario does not require any significant amendments to the EIA, which has already been the subject of extensive public consultation and review by the Greenland Government's mandated advisers

(the Danish Centre for the Environment and the Greenland Institute of Natural Resources). In preparing the amendment and its supporting documentation, the Company sought the opinion of an internationally accredited radiological expert, Arcadis, who has confirmed that the alternative treatment of uranium will not materially change the radiological impact of the Kvanefjeld project.
As set out in the amended Feasibility Study submitted with the amendment to the application, treating uranium as tailings (rather than processing into a saleable product) will not impact the commercial viability of the Kvanefjeld Project. This is due to the significant increase in rare earth element prices since the Company filed its original exploitation licence application in 2016.
The Company maintains its original exploitation licence application, by which it continues to apply for an exploitation licence for the Kvanefjeld Project inclusive of uranium exploitation rights. The Company has confirmed this to the Greenland Government along with its expectation that the Greenland Government will continue to process its exploitation licence application on that original basis.

Exploration Licence

The Company received on 16th March 2023 the official exploration licence renewal documentation for EL 2010-02, which covers Kvanefjeld. The licence has been renewed for a 3 year period up to 31 December 2025.

Outlook
The Company remains committed to the development of the Kvanefjeld project and looks forward to working with the Government of Greenland on viable development paths. The Company will continue to work with Greenland communities to address any concerns and develop the Kvanefjeld project in a manner that will minimise environmental impacts and provide benefits to Greenland for decades ahead.

The material risks faced by the Company that may have a financial impact on the Company include:

• All mining activities, including exploration carry a certain level of environmental risk, this risk is managed by ensuring all activities are conducted to the highest standard and best practices are adopted in all operations.

• The Company is confident based on legal advice, the arbitration will result in a positive outcome for the Company, however there is a risk of a less favourable outcome. In addition there is a risk associated with regulatory changes that may have an adverse effect on the Company and any area of the Company’s operations.

Uncertainty relating to recognition and measurement

The future recoverability of capitalized exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal and political changes, (including obtaining the right to mine and changes to environmental restoration obligations) and changes to commodity prices.

As a result of the political developments in Greenland during 2021 and continued in 2022, including the passing of the Act No. 20 to prohibit mineral activity where the uranium content in an ore body exceeds 100ppm, there is uncertainty surrounding the recovery of the capitalized exploration and evaluation expenditure. As required by the Danish Financial Statements Act, an allowance against the recoverability of the expenditure has been recognized, that results in a nil carrying value at 31 December 2022.

The company disagrees with the Greenland Government's application of Act No. 20 and will protect it's legal right to an exploitation licence. The company has advised the Greenland Government of the expectation that the current exploitation licence application continue. The remaining statutory requirements are the completion of the Government's contribution to the White Paper and the completion of an Impact Benefit Agreement. The company is working with the Greenland Government and other stakeholders to progress the mining licence application to move to development in accordance with both Greenland Government and local community expectations.

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Own work capitalised		0	12,786,737
Other external expenses		(5,428,285)	(7,448,008)
Property costs		(151,437)	(149,991)
Gross profit/loss		**(5,579,722)**	**5,188,738**
Staff costs	3	(1,915,125)	(6,097,476)
Depreciation, amortisation and impairment losses	4	(375,220)	(370,713,729)
Operating profit/loss		**(7,870,067)**	**(371,622,467)**
Other financial income		754,831	0
Other financial expenses	5	(3,152)	(2,098,197)
Profit/loss for the year		**(7,118,388)**	**(373,720,664)**
Proposed distribution of profit and loss:			
Retained earnings		(7,118,388)	(373,720,664)
Proposed distribution of profit and loss		**(7,118,388)**	**(373,720,664)**

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Development projects in progress		0	0
Intangible assets	6	**0**	**0**
Land and buildings		2,271,178	2,387,873
Other fixtures and fittings, tools and equipment		345,584	275,410
Property, plant and equipment	7	**2,616,762**	**2,663,283**
Fixed assets		**2,616,762**	**2,663,283**
Other receivables		30,000	386,350
Prepayments		50,375	35,909
Receivables		**80,375**	**422,259**
Cash		**372,336**	**174,742**
Current assets		**452,711**	**597,001**
Assets		**3,069,473**	**3,260,284**

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		1,000,000	1,000,000
Share premium		35,540,197	35,540,197
Retained earnings		(427,040,525)	(419,922,137)
Equity		**(390,500,328)**	**(383,381,940)**
Lease liabilities		36,300	0
Payables to group enterprises		392,821,864	386,015,539
Non-current liabilities other than provisions	8	**392,858,164**	**386,015,539**
Lease liabilities		135,042	90,445
Trade payables		33,682	38,173
Other payables		542,913	498,067
Current liabilities other than provisions		**711,637**	**626,685**
Liabilities other than provisions		**393,569,801**	**386,642,224**
Equity and liabilities		**3,069,473**	**3,260,284**
Going concern	1		
Uncertainty relating to recognition and measurement	2		
Contingent liabilities	9		
Group relations	10		

Statement of changes in equity for 2022

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,000,000	35,540,197	(419,922,137)	(383,381,940)
Profit/loss for the year	0	0	(7,118,388)	(7,118,388)
Equity end of year	**1,000,000**	**35,540,197**	**(427,040,525)**	**(390,500,328)**

Notes

1 Going concern

The parent company has issued a letter of comfort in which it confirms its commitment to provide sufficient financial support for the continued operation of the company. The commitment covers the period to september 2023. On this background the management consider the going concern assumption fulfilled.

2 Uncertainty relating to recognition and measurement

The future recoverability of capitalized exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal and political changes, (including obtaining the right to mine and changes to environmental restoration obligations) and changes to commodity prices.

As a result of the political developments in Greenland during 2021 and continued in 2022, including the passing of the Act No. 20 to prohibit mineral activity where the uranium content in an ore body exceeds 100ppm, there is uncertainty surrounding the recovery of the capitalized exploration and evaluation expenditure. As required by the Danish Financial Statements Acts, an allowance against the recoverability of the expenditure has been recognized, that results in a nil carrying value.

The company disagrees with the Greenland Government's application of Act No. 20 and will protect it's legal right to an exploitation licence. The company has advised the Greenland Government of the expectation that the current exploitation licence application continue. The remaining statutory requirements are the completion of the Government's contribution to the White Paper and the completion of an Impact Benefit Agreement. The company is working with the Greenland Government and other stakeholders to progress the mining licence application to move to development in accordance with both Greenland Government and local community expectations.

3 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	1,909,212	5,884,800
Pension costs	5,913	212,676
	1,915,125	**6,097,476**
Average number of full-time employees	**4**	**7**

4 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Impairment losses on intangible assets	0	370,282,666
Depreciation of property, plant and equipment	364,751	427,630
Profit/loss from sale of intangible assets and property, plant and equipment	10,469	3,433
	375,220	**370,713,729**

5 Other financial expenses

	2022 DKK	2021 DKK
Other interest expenses	3,152	6,994
Exchange rate adjustments	0	2,091,203
	3,152	**2,098,197**

6 Intangible assets

	Development projects in progress DKK
Cost beginning of year	370,282,666
Cost end of year	**370,282,666**
Amortisation and impairment losses beginning of year	(370,282,666)
Amortisation and impairment losses end of year	**(370,282,666)**
Carrying amount end of year	**0**

We refer to note 2 regarding the uncertainty relating to recognition and measurement of the valuation of the development projects.

7 Property, plant and equipment

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	4,355,602	1,862,503
Additions	0	357,573
Disposals	0	(75,399)
Cost end of year	**4,355,602**	**2,144,677**
Depreciation and impairment losses beginning of year	(1,967,729)	(1,587,093)
Depreciation for the year	(116,695)	(248,056)
Reversal regarding disposals	0	36,056
Depreciation and impairment losses end of year	**(2,084,424)**	**(1,799,093)**
Carrying amount end of year	**2,271,178**	**345,584**
Recognised assets not owned by entity	0	186,742

8 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK
Lease liabilities	36,300
Payables to group enterprises	392,821,864
	392,858,164

No installment profile has been agreed, however the parent company confirms that existing as well as additional loans and credits will not be called unless the cash position of GM A/S is adequate to make such repayment financially sound, which is not expected to be the cases, until GM A/S has been granted an exploitation licence and has commenced commercial mining operations on the Kvanefjeld Project.

9 Contingent liabilities

The Company has taken on a royalty obligation that will become effective when the mining begins.

10 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Greenland Minerals Ltd, Perth Australien, ABN 85 118 463 004

Copies of the consolidated financial statements of Greenland Minerals Ltd may be accessed from the parent company website:https://etransmin.com/company-reports/

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Greenlandic Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement
Own work capitalised
Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

Other external expenses
Other external expenses comprise expenses for dis-tribution, sale, marketing, administration, premises, bad debts, etc.

Property costs
Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Staff costs
Staff costs comprise alaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible

assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income
Other financial income comprises interest income, includinginterest income on receivables from group enterprises, net capital or exchange gains on securities, payablesand transactions in foreign currencies, amortisation of financial assets.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities.

Balance sheet

Intellectual property rights etc.
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Capitalised exploration and evaluation costs
Capitalised exploration and evaluation costs comprise costs for exploration and evaluation projects. Costs for exploration and evaluations projects are recognised as intangible assets from and including the date at which Greenland Minerals A/S acquired the rights to explore for minerals in a certain area.

On initial recognition, exploration and evaluation costs are measured at cost.

The cost of mineral projects comprises costs for with exploration for and evaluation of mineral resources, which relate to mineral resource searches and evaluation of the technical feasibility and commercial viability of extracting these mineral resources.

The following costs cannot be recognised as exploration and evaluation projects:

- Costs incurred prior to the rights to exploration for and evaluation of mineral projects in a specific area being acquired;
- Costs incurred subsequent to the technical feasibility and commercial viability of extracting mineral resources having been documented.

The following costs may be recognised (the list is not exhaustive):

- Costs for acquisition of rights;
- Topographical, geological, geochemical and geophysical studies;
- Exploration drilling;
- Trench digging;
- Sampling;
- Activities relating to the evaluation of the technical feasibility and the commercial viability of mineral resource extraction;

The costs are recognised in cost from the date at which the exploration and evaluation project first meets the criteria for being recognised as an asset. Costs incurred prior to this date are recognised in the income statement.

Subsequent to initial recognition, exploration and evaluation projects are still measured at cost. Tests for impairment are performed when evidence of impairment exists.

When it is possible to prove the technical feasibility and the commercial viability of extracting minerals, the project is tested for impairment, and any impairment loss is recognised in the income statement. The residual value of the project is reclassified as evaluation projects completed and is amortised over the estimated useful life of the project.

Capitalised exploration and evaluation costs are divided into relevant components in the balance sheet.

Licenses
Licenses include costs for the purchase of exploration licenses and the costs are capitalized license for license. Licenses are treated according to the principles described above for exploration and evaluation projects.

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset’s fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	20 years
Other fixtures and fittings, tools and equipment	4-10 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.