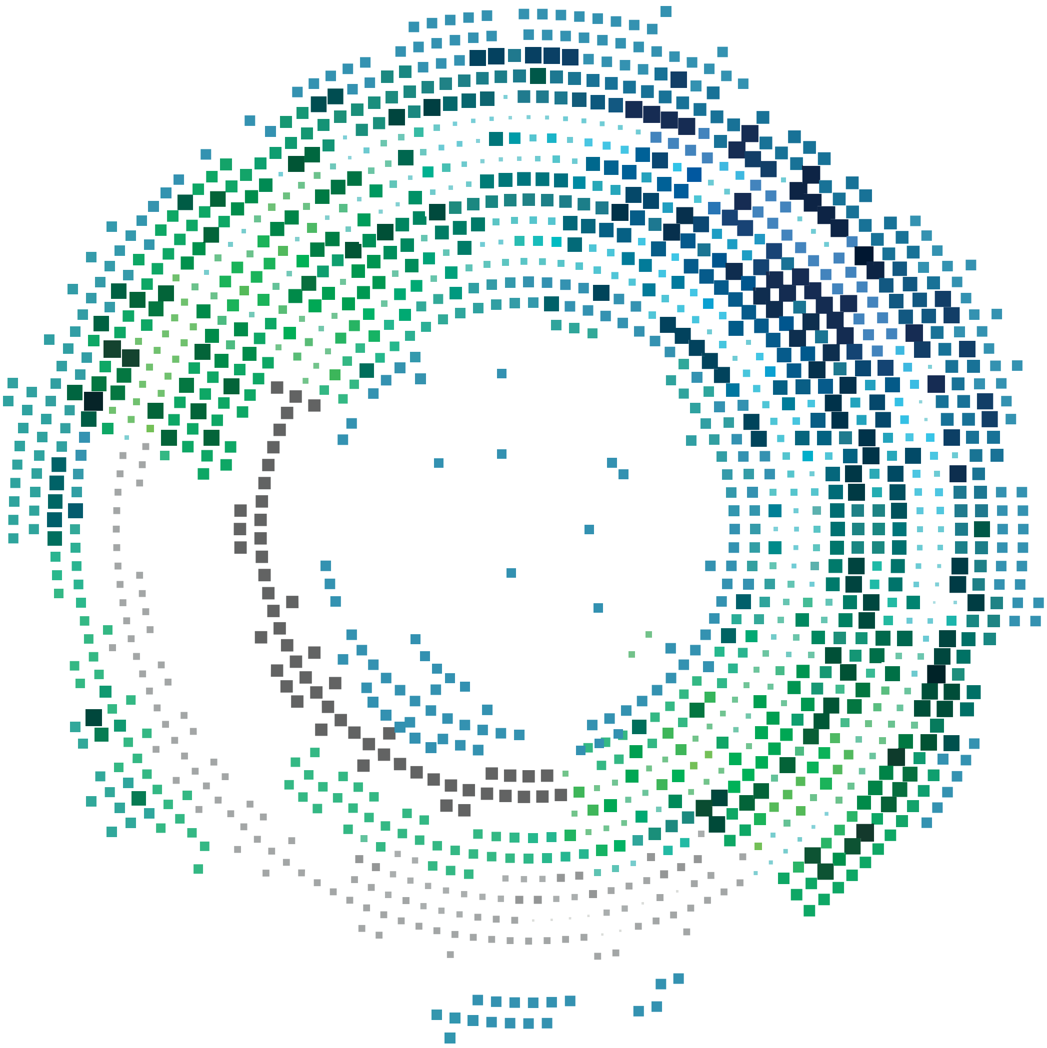
Deloitte.



Greenland Minerals A/S

Nuugaarmiunut 523 B
3921 Narsaq
CVR No. 12449550

Annual report 2019

The Annual General Meeting adopted the annual report on 01.09.2020

Anthony Peng Fatt Ho
Chairman of the General Meeting

Contents

Entity details

Entity

Greenland Minerals A/S

Nuugaarmiunut 523 B

3921 Narsaq

CVR No.: 12449550

Registered office: Kujalleq

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Anthony Peng Fatt Ho, Chairman
Miles Simon Guy, Vice-chairman
John Lefroy Mair, Chief Executive Officer

Executive Board

John Lefroy Mair, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P. O. Box 1600
0900 Copenhagen C

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 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Narsaq, 01.09.2020

Executive Board

John Lefroy Mair
Chief Executive Officer

Board of Directors

Anthony Peng Fatt Ho
Chairman

Miles Simon Guy
Vice-chairman

John Lefroy Mair
Chief Executive Officer

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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 of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Greenland, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 01.09.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Anders Kreiner
State Authorised Public Accountant
Identification No (MNE) mne26765

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 ele-ments, uranium, and zinc) progressing through the feasibility and permitting phase with the aim to move into mine development.

Description of material changes in activities and finances

Permitting Update

Project permitting remains a key point of Greenland Minerals A/S (the 'Company' or 'GMAS') focus. Over the last couple of years GMAS has worked through a guidance, or review phase, that is aimed at preparing social and environmental impact assessments for public consultation, and the subsequent production and approval of a white paper. The scope of the impact assessments is framed by the 'terms of reference', which were approved after public consultation in late 2015.

A lot of progress was made in 2019 on finalising the Kvanefjeld mining license application for public consultation. The SIA and Maritime Safety Study (MSS) have been accepted for public consultation. The latest feedback on the EIA, received in mid-October, has been presented in a considerably more structured approach with feedback focused on isolating a small number of priority areas (Type 1 issues) where further information has been requested prior to a public consultation. This presents a much clearer and more structured path forward.

Kvanefjeld Project – Optimised Feasibility Outcomes

The optimisation of the Kvanefjeld Project, which has been underway since 2017, has focused on metallurgical performance and civil design and engineering. These studies built on the 2016 Kvanefjeld Feasibility Study, following the commencement of cooperation with Shenghe Resources Holding Co Ltd. The outcomes of these studies were finalised during Q2, 2019. The reduction in the capital cost estimate is the result of optimisation studies covering all elements of the Project from the flowsheet to civil construction. The results of individual optimisation studies have been the subject of progressive updates to the market since 2016.

Improvements to the flowsheet include a major enhancement to flotation performance (the production of smaller volumes of higher-grade concentrate) and the development of a simpler, more efficient leaching (refinery) circuit. These improvements have been developed under the guidance of Shenghe's experience and expertise in rare earth processing. In combination, these developments significantly reduce the scale of the refinery circuit resulting in substantial cost reductions.

Civil engineering design and construction costs were also a major focus of optimisation studies. A multi-disciplinary team of specialist engineering firms including Nuna Logistics, Tetra Tech, PND Engineers and China Communications Construction Co, has contributed to an updated civil design with construction costs reduced substantially.

The revised civil costs are now estimated to be US$175M including indirect costs and contingency. This is an overall capital cost reduction of US$138M (-44%) of the previous 2016 Feasibility Study. Cost reductions were primarily achieved through substantial reductions in civil earth works for site preparation, updated port design by specialist groups, and greater use of local materials.

The management has obtained a statement from the parent company which express sufficient financial support. On this background the management conside the going concern assumption fulfilled. The company have according to the Companies Act capital loss and the issue will be taken care of by raising additional share capital or converting debt.

Uncertainty relating to recognition and measurement

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including the accept of mining license and whether the company 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.

Events after the balance sheet date

No other matters or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of GM A/S, the results of those operations or the state of affairs of the GM A/S in subsequent years.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Own work capitalised		8,438,768	9,518,644
Other operating income		830	210,821
Other external expenses		(4,527,612)	(6,103,033)
Property costs		(123,451)	(323,821)
Gross profit/loss		**3,788,535**	**3,302,611**
Staff costs	3	(4,711,841)	(4,945,583)
Depreciation, amortisation and impairment losses	4	(396,419)	(229,771)
Operating profit/loss		**(1,319,725)**	**(1,872,743)**
Other financial income	5	0	3,689,467
Other financial expenses	6	(1,263,828)	(67,973)
Profit/loss for the year		**(2,583,553)**	**1,748,751**
Proposed distribution of profit and loss:			
Retained earnings		(2,583,553)	1,748,751
Proposed distribution of profit and loss		**(2,583,553)**	**1,748,751**

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Development projects in progress	8	346,790,911	338,352,143
Intangible assets	7	**346,790,911**	**338,352,143**
Land and buildings		2,639,923	2,775,565
Other fixtures and fittings, tools and equipment		241,950	210,346
Property, plant and equipment	9	**2,881,873**	**2,985,911**
Fixed assets		**349,672,784**	**341,338,054**
Other receivables		35,200	35,200
Prepayments		73,846	74,145
Receivables		**109,046**	**109,345**
Cash		**541,599**	**261,682**
Current assets		**650,645**	**371,027**
Assets		**350,323,429**	**341,709,081**

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		1,000,000	1,000,000
Share premium		35,540,197	35,540,197
Reserve for development expenditure		6,202,495	0
Retained earnings		(50,253,720)	(41,467,672)
Equity		**(7,511,028)**	**(4,927,475)**
Payables to group enterprises		357,102,622	345,973,244
Non-current liabilities other than provisions	10	**357,102,622**	**345,973,244**
Finance lease liabilities		55,578	0
Trade payables		44,632	23,373
Other payables		631,625	639,939
Current liabilities other than provisions		**731,835**	**663,312**
Liabilities other than provisions		**357,834,457**	**346,636,556**
Equity and liabilities		**350,323,429**	**341,709,081**
Going concern	1		
Uncertainty relating to recognition and measurement	2		
Contingent liabilities	11		
Group relations	12		

Statement of changes in equity for 2019

	Contributed capital DKK	Share premium DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,000,000	35,540,197	0	(41,467,672)	(4,927,475)
Transfer to reserves	0	0	6,202,495	(6,202,495)	0
Profit/loss for the year	0	0	0	(2,583,553)	(2,583,553)
Equity end of year	**1,000,000**	**35,540,197**	**6,202,495**	**(50,253,720)**	**(7,511,028)**

Notes

1 Going concern

The equity is negativ with DDK 7,511k. The management has obtained a statement from the parent company which express sufficient financial support. The support covers the period to september 2021 an will cover the company financially for, at least one year after the date of the letter, by extending loans or providing credits for the company to the extent necessary to finance current and future activities and to service all current debts. On this background the management conside the going concern assumption fulfilled.

2 Uncertainty relating to recognition and measurement

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including the accept of mining license and whether the company 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.

3 Staff costs

	2019 DKK	2018 DKK
Wages and salaries	4,511,490	4,681,011
Pension costs	200,351	264,572
	4,711,841	**4,945,583**
Average number of full-time employees	**5**	**7**

4 Depreciation, amortisation and impairment losses

	2019 DKK	2018 DKK
Depreciation of property, plant and equipment	396,419	224,596
Profit/loss from sale of intangible assets and property, plant and equipment	0	5,175
	396,419	**229,771**

5 Other financial income

	2019 DKK	2018 DKK
Exchange rate adjustments	0	3,689,467
	0	**3,689,467**

6 Other financial expenses

	2019 DKK	2018 DKK
Other interest expenses	9,490	0
Exchange rate adjustments	1,254,338	67,973
	1,263,828	**67,973**

7 Intangible assets

	Development projects in progress DKK
Cost beginning of year	338,352,143
Additions	8,438,768
Cost end of year	**346,790,911**
Carrying amount end of year	**346,790,911**

The carrying amount of capitalised exploration and evaluation costs is attributable to the shareholders' payment for the right to use exploration licence 2010/02 (former 2005/28) as issued by the Government of Greenland and later transferred exploration and evaluations costs held by the parents company. The Licence has been contributed to the Company by way of a decision made at the Annual General Meeting held on 21 December 2009.

8 Development projects

The recoverability of the company carrying value of the capitalised exploration and evaluation expenditure relating to EL 2010/02 is subject to the successful development and exploitation of the exploration property. The company has completed a feasibility study and environmental and social impact studies. These studies have been submitted to the relevant Greenland authorities, as a commencement of the process for an application for the right to mine.

The company has a positive outlook regarding its ability to successfully develop the project, as a multi element rare earth and uranium project. The company is working with the Greenland Government and other stakeholders to progress the mining license application to move to development in accordance with both Greenland Government and local community expectations.

9 Property, plant and equipment

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	4,355,602	1,114,766
Additions	0	297,367
Disposals	0	(6,500)
Cost end of year	**4,355,602**	**1,405,633**
Depreciation and impairment losses beginning of year	(1,580,037)	(904,420)
Depreciation for the year	(135,642)	(260,778)
Reversal regarding disposals	0	1,515
Depreciation and impairment losses end of year	**(1,715,679)**	**(1,163,683)**
Carrying amount end of year	**2,639,923**	**241,950**
Recognised assets not owned by entity	0	58,058

10 Non-current liabilities other than provisions

	Due after more than 12 months 2019 DKK
Payables to group enterprises	357,102,622
	357,102,622

No installment profile has been agreed, however the parrent confirms that existing as well as additional loans and credits will not be called unless the liquidity 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.

11 Contingent liabilities

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

12 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 ordered at the following address:
Unit 7, 100 Railway Road Subiaco WA 6008, Perth Australien

Accounting policies

Reporting class

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

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

Changes in accounting policies

Capitalised exploration and evaluation costs have changed presentation to development projects completed and in progress. It has no effect at the result, assets or equity.

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 operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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 (Capitalised exploration and evaluation costs) 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.

Capitalised exploration and evaluation costs (development projects in progress)
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 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.

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

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:

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.

Finance lease liabilities
Lease commitments 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 commitments 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.