Hudson Greenland A/S

Qullilerfik 2, 6.
3900 Nuuk
CVR No. 12759711

Annual report 01.04.2019 - 31.03.2020

The Annual General Meeting adopted the annual report on 11.12.2020

Benn Mikula
Chairman of the General Meeting

Contents

Entity details

Entity
Hudson Greenland A/S

Qullilerfik 2, 6.

3900 Nuuk

CVR No.: 12759711

Registered office: Nuuk

Financial year: 01.04.2019 - 31.03.2020

Board of Directors
Benn Mikula, chairman

Lars Knøsgaard Jensen, vice chairman

Peter Flemming Knudsen

Per Buhl Olsen

Executive Board
Bent Jensen, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Imaneq 33, 6-7th floor
3900 Nuuk
Greenland

Statement by Management

We have today presented the annual report of Hudson Greenland A/S for the financial year 01.04.2019 - 31.03.2020.

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 31.03.2020 and of the results of its operations for the financial year 01.04.2019 - 31.03.2020.

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.

Nuuk, 03.12.2020

Executive Board

Bent Jensen
CEO

Board of Directors

Benn Mikula
chairman

Lars Knøsgaard Jensen
vice chairman

Peter Flemming Knudsen

Per Buhl Olsen

Independent auditor's report

To the shareholders of Hudson Greenland A/S

Opinion

We have audited the financial statements of Hudson Greenland A/S for the financial year 01.04.2019 - 31.03.2020, 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 Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2020 and of the results of its operations for the financial year 01.04.2019 - 31.03.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. 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 Denmark, 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 Danish 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 Denmark 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 Denmark, 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 Danish 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 Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Nuuk, 03.12.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Claus Bech
State Authorised Public Accountant
Identification No (MNE) mne31453

Management commentary

Primary activities

The Company is a pre-commercial production stage mineral company engaged in the development of its White Mountain Project ("Qaqortorsuaq" in Greenlandic) located on the Naajat anorthosite (calcium feldspar) mineral resource.

Development in activities and finances

Net loss for the year was DKK 249.340.957, effect of write down o t he inventory and the development projects.

During the current fiscal year, the Company obtained additional debt financing of US$8.0 million in long term debt and US$10.0 million in short term loan payable from Cordiant Capital Inc. and its affiliates ("Cordiant") and Romeo Fund – Flexi and its affiliates ("Romeo") (together with Cordiant, the "Lenders"). Subsequent to year-end, the Company completed a debt restructuring with the Lenders and issued US$10.0 million in convertible debentures to the Lenders. This is considered sufficient to fund operations until at least end of next financial year.

The continued development of the Company's operations over the next 12 months will depend on the Company's ability to bring the project into commercial production.

The Company's future financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government negotiation and controls and affected by changes in domestic and international, political, social and economic environments. In addition, the availability and cost of funds for development and production costs are difficult to predict. These changes in events could materially affect the financial performance of the Company.

Events after the balance sheet date

On September 22, 2020, the Company closed its debt restructuring transaction (the "Transaction") with its Lenders after receiving regulatory approval and approval from the Government of Greenland.
Pursuant to the terms of the Definitive Agreements, the Company and the Lenders amended the existing loan facilities (the "Loan Facilities") between the parties to, among other things:

- Converted approximately US$13.7M, of the existing debt of US$42M owed to the Lenders pursuant to the Loan Facilities, into preferred shares of Hudson Greenland, thereby reducing the Company's interest payments substantially.
- Extended the maturity of the Loan Facilities from July 15, 2025 to January 15, 2028 and push out the first principal payment payable under the Loan Facilities from January 15, 2021 to January 15, 2023;
- Cancelled all inter-company debt owed to Hudson Resources Inc. by the Company;
- Reduced the interest rate of the US$10M backstop facility obtained invDecember 2019 from 20% to 9.5% over LIBOR;
- Amended the interest payments terms of the Loan Facilities to enable the Company to pay interest to the Lenders on the consolidated and reduced principal amount every six months in arrears; and

The conversion of existing debt into preferred shares of Hudson Greenland pursuant to the Definitive Agreements will result in the Lenders holding approximately 69% of the Company. Additionally, the Lenders received the right to each nominate one director to the Company's board, which will be comprised of four members, including one member from Greenland Ventures, a government investment fund that holds eight million shares of Hudson Resources Inc..

Convertible Debenture Financing

In connection with the debt restructuring, Hudson Greenland issued convertible debentures in the amount of US$10M (the "Debenture") to the Lenders, to provide funding directly into the Company. The Debenture has a maturity date of five years from the date of issuance and will be convertible into preferred shares in the capital of the Company. The Debenture does not bear interest and will not confer voting rights on the Lenders until conversion of the Debenture, in accordance with its terms.

The Debenture ranks pari passu with the Company's other unsecured and unsubordinated debt. In the event the Debenture is converted in full, the Lenders' ownership interest in the Company would increase to approximately 79%.

The Company will use the proceeds of the Debenture for working capital to put the White Mountain mine back into production and general corporate purposes, as approved by the Company's board of directors. Hudson Resources Inc. retains the right to redeem the preferred shares to regain 100% interest in the White Mountain mine for the next five years.
The Mineral License and Safety Authority of Greenland has also approved the debt transaction as it relates to a change of control in the license which holds the White Mountain mine.

COVID-19 Impact

On March 11, 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant widespread stock market declines and the movement of people and goods has become restricted, affecting supply, demand and pricing for many products.

The mineral exploration sector is expected to be impacted significantly as various levels of governments have issued public health orders in response to COVID-19, including restricting the movement of people, which could impact the Company's ability to access its properties and complete exploration, development or production programs in the current year. Certain industrial mineral prices have declined in the wake of the COVID-19 pandemic. A continuing period of lower prices could significantly affect the economic potential or intentions with respect to the White Mountain Project.

The longer term impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. There may be heightened risk of mineral property impairment and liquidity or going concern uncertainty. As a result, impairment indicators for our mineral properties could arise in 2021 if current conditions persist.

In response to the COVID-19 pandemic, the Greenlandic Government announced certain emergency relief measures for mining companies, with the first initiative being the waiver of minimum mineral exploration license obligations and expenditures through to December 31, 2020. Additionally, the Company was granted temporary permission in the current period and has withdrawn DKK 5 million from its reclamation funds on deposit for working capital purposes, with such funds to be repaid within two years from the date of the withdrawal. The Company has also applied for and received compensation for wage costs for some of its Greenlandic employees it has retained during the pandemic.

Income statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Gross profit/loss		**(49,484,326)**	**(1,943,494)**
Depreciation, amortisation and impairment losses	3	(191,090,321)	0
Operating profit/loss		**(240,574,647)**	**(1,943,494)**
Other financial income	4	7,853,968	39,758
Other financial expenses		(16,620,278)	(14,395,524)
Profit/loss for the year		**(249,340,957)**	**(16,299,260)**
Proposed distribution of profit and loss			
Retained earnings		(249,340,957)	(16,299,260)
Proposed distribution of profit and loss		**(249,340,957)**	**(16,299,260)**

Balance sheet at 31.03.2020

Assets

	Notes	2019/20 DKK	2018/19 DKK
Completed development projects	6	238,946,408	378,029,424
Intangible assets	5	**238,946,408**	**378,029,424**
Other fixtures and fittings, tools and equipment		44,583,193	62,181,639
Property, plant and equipment	7	**44,583,193**	**62,181,639**
Other receivables		22,430	10,805,001
Other financial assets		**22,430**	**10,805,001**
Fixed assets		**283,552,031**	**451,016,064**
Manufactured goods and goods for resale		4,275,787	0
Inventories		**4,275,787**	**0**
Other receivables		4,480	4,480
Prepayments		3,677,940	104,212
Receivables		**3,682,420**	**108,692**
Cash		**30,308,435**	**5,903,079**
Current assets		**38,266,642**	**6,011,771**
Assets		**321,818,673**	**457,027,835**

Equity and liabilities

	Notes	2019/20 DKK	2018/19 DKK
Contributed capital		48,250,000	48,250,000
Reserve for development expenditure		38,225,369	0
Retained earnings		(198,866,665)	88,699,661
Equity		**(112,391,296)**	**136,949,661**
Other provisions		10,000,000	8,112,197
Provisions		**10,000,000**	**8,112,197**
Lease liabilities		2,098,943	2,908,223
Debt to other credit institutions		178,518,990	149,135,930
Payables to group enterprises		154,735,707	153,637,912
Non-current liabilities other than provisions	8	**335,353,640**	**305,682,065**
Current portion of non-current liabilities other than provisions	8	17,048,121	1,026,468
Payables to other credit institutions		68,259,042	0
Trade payables		3,176,442	5,257,444
Other payables		372,724	0
Current liabilities other than provisions		**88,856,329**	**6,283,912**
Liabilities other than provisions		**424,209,969**	**311,965,977**
Equity and liabilities		**321,818,673**	**457,027,835**
Going concern	1		
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Assets charged and collateral	9		
Group relations	10		

Statement of changes in equity for 2019/20

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	48,250,000	0	88,699,661	136,949,661
Transfer to reserves	0	38,225,369	(38,225,369)	0
Profit/loss for the year	0	0	(249,340,957)	(249,340,957)
Equity end of year	**48,250,000**	**38,225,369**	**(198,866,665)**	**(112,391,296)**

Notes

1 Going concern

As at March 31, 2020, Hudson Greenland A/S (the “Company”) is a pre-commercial production stage mineral company and is engaged in the development of mineral properties in Greenland. On July 17, 2017, the Company entered the development phase of its White Mountain Project (“Qaqortorsuaq” in Greenlandic) located on the Naajat anorthosite (calcium feldspar) mineral resource for which the company received an Exploitation License in 2016. The Company has completed construction of its White Mountain Project and began production and shipping of its anorthosite product in 2019.

The Company has experienced recurring operating losses and had a working capital deficit as at March 31, 2020. Working capital is defined as current assets less current liabilities and provides a measure of the Company’s ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. The cumulative losses can be attributed to the very long lead times required to obtain all necessary permits and licenses required for development of a deposit and the complexity of construction of the processing plant and shipping facilities in a remote location.

On September 22, 2020, the Company closed its transaction with its existing lenders, Cordiant Capital Inc. and its affiliates (“Cordiant”) and Romeo Fund – Flexi and its affiliates (“Romeo”) (together with Cordiant, the “Lenders”), to restructure the outstanding debt on the White Mountain Anorthosite mine and to provide an injection of working capital by way of a US$10M convertible debenture to ensure the stability of the mine going forward.

The Company expects to incur further losses in the development of its business. The Company’s ability to continue as a going concern is dependent upon its ability to generate future cash flow from its operations and/or obtain additional financing.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Realizable values may be substantially different from carrying values as shown.

2 Events after the balance sheet date

On September 22, 2020, the Company closed its debt restructuring transaction (the “Transaction”) with its Lenders after receiving regulatory approval and approval from the Government of Greenland.
Pursuant to the terms of the Definitive Agreements, the Company and the Lenders amended the existing loan facilities (the “Loan Facilities”) between the parties to, among other things:

- Converted approximately US$13.7M, of the existing debt of US$42M owed to the Lenders pursuant to the Loan Facilities, into preferred shares of Hudson Greenland, thereby reducing the Company’s interest payments substantially.
- Extended the maturity of the Loan Facilities from July 15, 2025 to January 15, 2028 and push out the first principal payment payable under the Loan Facilities from January 15, 2021 to January 15, 2023;
- Cancelled all inter-company debt owed to Hudson Resources Inc. by the Company;
- Reduced the interest rate of the US$10M backstop facility obtained inDecember 2019 from 20% to 9.5% over LIBOR;
- Amended the interest payments terms of the Loan Facilities to enable the Company to pay interest to the Lenders on the consolidated and reduced principal amount every six months in arrears; and The conversion of

existing debt into preferred shares of Hudson Greenland pursuant to the Definitive Agreements will result in the Lenders holding approximately 69% of the Company. Additionally, the Lenders received the right to each nominate one director to the Company's board, which will be comprised of four members, including one member from Greenland Ventures, a government investment fund that holds eight million shares of Hudson Resources Inc..

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The Debenture ranks pari passu with the Company's other unsecured and unsubordinated debt. In the event the Debenture is converted in full, the Lenders' ownership interest in the Company would increase to approximately 79%.

The Company will use the proceeds of the Debenture for working capital to put the White Mountain mine back into production and general corporate purposes, as approved by the Company's board of directors. Hudson Resources Inc. retains the right to redeem the preferred shares to regain 100% interest in the the White Mountain mine for the next five years.
The Mineral License and Safety Authority of Greenland has also approved the debt transaction as it relates to a change of control in the license which holds the White Mountain mine.

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The mineral exploration sector is expected to be impacted significantly as various levels of governments have issued public health orders in response to COVID-19, including restricting the movement of people, which could impact the Company's ability to access its properties and complete exploration, development or production programs in the current year. Certain industrial mineral prices have declined in the wake of the COVID-19 pandemic. A continuing period of lower prices could significantly affect the economic potential or intentions with respect to the White Mountain Project.

The longer term impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. There may be heightened risk of mineral property impairment and liquidity or going concern uncertainty. As a result, impairment indicators for our mineral properties could arise in 2021 if current conditions persist.

In response to the COVID-19 pandemic, the Greenlandic Government announced certain emergency relief measures for mining companies, with the first initiative being the waiver of minimum mineral exploration license obligations and expenditures through to December 31, 2020. Additionally, the Company was granted temporary permission in the current period and has withdrawn DKK 5 million from its reclamation funds on deposit for working capital purposes, with such funds to be repaid within two years from the date of the withdrawal. The

Company has also applied for and received compensation for wage costs for some of its Greenlandic employees it has retained during the pandemic.

3 Depreciation, amortisation and impairment losses

	2019/20 DKK	2018/19 DKK
Impairment losses on intangible assets	191,090,321	0
	191,090,321	**0**

4 Other financial income

	2019/20 DKK	2018/19 DKK
Other interest income	7,391,835	39,758
Exchange rate adjustments	462,133	0
	7,853,968	**39,758**

Under IFRS 9, a gain or loss on the modification of debt would result in a gain or loss. Modifications to debt can occur when the borrower and lender negotiate changes to the terms of the debt such as changing the interest rate or extending the maturity date. In such cases, the modification gain or loss is equal to the difference between the present value of the cash flows under the original and modified terms discounted by the original effective interest rate. In addition, any costs or fees incurred to change the terms would need to be adjusted to the carrying amount of the modified debt and amortized over the remaining term of the modified debt. The facility increase in May 2019 resulted in modifications of the loan payable including the extension of the maturity date and the commencement of the principal repayment of the original loan.

5 Intangible assets

	Completed development projects DKK
Cost beginning of year	378,029,424
Additions	52,007,305
Cost end of year	**430,036,729**
Impairment losses for the year	(191,090,321)
Amortisation and impairment losses end of year	**(191,090,321)**
Carrying amount end of year	**238,946,408**

6 Development projects

The Company is in the business of prospecting for, developing, and mining mineral resources located in Greenland and is now focused on production from the White Mountain Project (the “Project” or “Qaqortorsuaq“ in Greenlandic) located on its Naajat anorthosite mineral holding. The Company announced that it had completed construction at the White Mountain Project site in the prior fiscal year and commenced production of its anorthosite product. It may also acquire, explore and evaluate other resource properties, and either joint venture or develop these properties further or dispose of them when the evaluation is completed. The Company currently holds an exploitation license for the Naajat resource. The Company entered the development phase of the White Mountain Project on July 17, 2017.

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	98,291,452
Additions	118,577
Cost end of year	**98,410,029**
Depreciation and impairment losses beginning of year	(36,109,813)
Depreciation for the year	(17,717,023)
Depreciation and impairment losses end of year	**(53,826,836)**
Carrying amount end of year	**44,583,193**
Recognised assets not owned by entity	4,132,906

8 Non-current liabilities other than provisions

	Due within 12 months 2019/20 DKK	Due within 12 months 2018/19 DKK	Due after more than 12 months 2019/20 DKK	Outstanding after 5 years 2019/20 DKK
Lease liabilities	934,067	1,026,468	2,098,943	0
Debt to other credit institutions	16,114,054	0	178,518,990	21,093,131
Payables to group enterprises	0	0	154,735,707	0
	17,048,121	**1,026,468**	**335,353,640**	**21,093,131**

9 Assets charged and collateral

The Company's assets are subject to certain restrictions on title, and have been pledged as security for its loans with the Lenders.

10 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Hudson Resources Inc, Vancouver, Canada

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.

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.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Changes in inventories of finished goods and work in progress
Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary write downs of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Other external expenses
Other external expenses comprise exoenses for distribution, sale, marketing, administration, premises, bad debt,

etc.

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 and capital gains on receiceable, payables and transactions in foreign currencies.

Other financial expenses
Other financial expenses comprise interest expenses and capital losses in receiceable, payables and transactions in foreign currencies.

Balance sheet

Intellectual property rights etc
Tangible assets acquired are measured at cost less accumulated amortisation and impairment losses. The amortisation period for intangible assets will be determined to fit with the life of the mine. Cost comprises the acquisition and preparation price, costs directly attributable to the acquisition and preparation costs of the asset until the time when the asset is ready to be put into operation.

The basis of depreciation is cost plus revaluation and minus 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 after use.

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

Equipment
equipment are measured at cost less accumulated depreciation and impairment losses.

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.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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 mine.

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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

Cash
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

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.