

Nalunaq A/S
CVR-nr. 12 79 40 53
Business Registration No 12 79 40 53

Annual report 2022

*The Annual General Meeting adopted the annual
report on 15. June 2023*

Chairman of the General Meeting

Thor Suhr

Contents

	<u>Page</u>
Company details	3
Statement by Management on the annual report	4
Independent auditor's review report	5
Management's review	6
Accounting policies	7
Income statement for 2022	10
Balance sheet at 31 December 2022	11
Notes	13

Please note that Danish decimal and digit grouping symbols have been used in the financial statements.

Company details

Company

Nalunaq A/S

Central Business Registration No: 12 79 40 53

Registered in Kommuneqarfik Sermersooq

Supervisory Board

Eldur Olafsson (chairman)

Joan Maria Plant

Per Buhl Olsen

Executive Board

Joan Maria Plant

Company auditors

BDO Statsautoriseret Revisionsaktieselskab

Statement by Management on the annual report

We have today presented the annual report of Nalunaq A/S for the financial year 1 January to 31 December 2022.

The annual report has been presented in accordance with the Greenlandic Financial Statements Act. We consider the accounting policies appropriate for the annual report to provide a true and fair view of the Company's financial position and results.

We consider the preconditions for not auditing the financial statements for the financial year 1 January to 31 December 2022 as complied with.

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

Nuuk, 15 June 2023

Executive Board

Joan Maria Plant

Supervisory Board

Eldur Olafsson
Chairman

Joan Maria Plant

Per Buhl Olsen

The independent auditor's review report

To the Shareholders of Nalunaq A/S

We have reviewed the Financial Statements of Nalunaq A/S for the financial year 1 January - 31 December 2022 which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared under the Greenlandic Financial Statements Act.

Management's Responsibility 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. This responsibility includes maintaining the internal control as Management determines is necessary to enable the preparation of Financial Statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements. We have conducted our review in accordance with the International Standard on Review Engagements, Engagements to Review Historical Financial Statements and additional requirements under Danish Audit Legislation. This requires that we express an auditor's opinion stating whether matters have come to our knowledge causing us to believe that the Financial Statements have not in all materiality been prepared in accordance with the relevant accounting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of Financial Statements performed according to the International Standard on Review Engagements, Engagements to Review Historical Financial Statements is an assurance engagement with a limited degree of assurance. The auditor will perform procedures which will primarily consist of inquiries to the Management and to other members of staff, if relevant, and application of analytical procedures and assessment of the evidence obtained.

The scope of procedures performed in connection with a review is considerably less extensive than that of an audit performed according to the International Standards on Audit. Consequently, we do not express an audit opinion on the Financial Statements.

Opinion

During our review no matters have come to our knowledge which cause to conclude that the Financial Statements do not give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Greenlandic Financial Statements Act.

Nuuk, 15 June 2023

BDO

Statsautoriseret Revisionaktieselskab

Claus Bech

State Authorised

Public Accountant

Identification No (MNE): mne31453

Management's review

Primary activities

Nalunaq A/S ("Nalunaq" or the "Company") carries on business to hold and use the Exploitation Licence for Nalunaq in Greenland. As at 31st December 2022, it is a wholly owned subsidiary of a Canadian entity Amaroq Minerals Ltd. which is listed in Canadian TSX Venture exchange, in London Stock exchange and in Nasdaq First North Growth Market Iceland.

Development in activities and finances

The year loss is CAD 14.243k compared with a loss of CAD 17.718k last year. The result is as expected.

Events after the balance sheet date

On 10 June 2022, the Amaroq Minerals Ltd. announced that it had signed a non-binding head of terms with ACAM to establish a special purpose vehicle (the "SPV") and created a joint venture (the "JV") for the exploration and development of its Strategic Mineral assets for a combined contribution of \$62.0 million (GBP 36.7 million). Subject to negotiation of the final terms of the JV, ACAM invests \$30.4 million (GBP 18 million) in exchange for a 49% shareholding in the SPV, with Amaroq holding 51%. Amaroq is expected to contribute its strategic non-precious mineral (i.e. non-gold) licences as well as a contribution in kind, valued, in aggregate, at \$31.6 million (GBP 18.7 million) in the form of site support, logistics and overhead costs associated with utilizing its existing infrastructure in Southern Greenland to support the JV's activities. The transfer of these licenses has been approved by the Greenland Government on 13 April 2023. An option for further future funding of \$16.0 million (GBP 10.0 million) is also potentially available on the achievement of agreed milestones. The final documentation of the deal was executed on 19 October 2022. Written approval by the Government of Greenland pursuant to section 88(1) of the Mineral Resources Act for the transfer of the Initial JV Company Licences by Nalunaq A/S to the Gardaq A/S has been received and the resolution of the final administrative matters, to satisfy the remaining conditions needed to complete the ACAM Transaction have been completed on 13 April 2023.

Accounting policies

The annual report is 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 enterprises.

In connection with the change in the policies the comparative figures has been adjusted.

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 Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company 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 Company, 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

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Financial income and expenses

These items comprise interest income and interest expenses, realised and unrealised capital gains etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year, and recognised directly on equity by the portion attributable to entries directly on equity.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities.

Accounting policies (cont'd)

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Balance sheet

Intangible assets

Intangible assets acquired are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Other fixtures and fittings, tools and 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 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

<i>Other fixtures and fittings, tools and equipment</i>	<i>3 to 10 years</i>
---	----------------------

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 provisions for bad debts.

Prepayments

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

Other provision

Provision for decommissioning costs comprises costs for demobilization and reclamation of the license area after the exploration has been carried out.

Other financial liabilities

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

Foreign currency translation

The functional and presentation currency is Canadian dollars ("CAD").

Accounting policies (cont'd)

On initial recognition, foreign currency transactions are translated into the functional currency 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 rate differences that arise between the rate at the transaction date and the one in effect at the payment date, or the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement for 2022

	<u>Notes</u>	<u>2022 CAD</u>	<u>2021 CAD</u>
Other external costs		(13.321.652)	(17.154.259)
Depreciation, amortisation and impairment losses	2	<u>(721.072)</u>	<u>(299.771)</u>
Operating profit/loss		(14.042.724)	(17.454.030)
Other financial income/expenses	3	(200.757)	(264.134)
Other financial expenses	4	<u>0</u>	<u>0</u>
Profit/loss before tax		(14.243.481)	(17.718.164)
Tax on profit/loss for the year		<u>0</u>	<u>0</u>
Profit/loss for the year		(14.243.481)	(17.718.164)
Proposed distribution of profit/loss			
Retained earnings		<u>(14.243.481)</u>	(17.718.164)
		<u>(14.243.481)</u>	(17.718.164)

Balance sheet at 31 December 2022

	<u>Notes</u>	<u>2022 CAD</u>	<u>2021 CAD</u>
Research and development	5	<u>85.579</u>	<u>62.244</u>
Intangible assets		<u>85.579</u>	<u>62.244</u>
Other fixtures and fittings, tools and equipment	6	<u>13.048.320</u>	<u>13.819.487</u>
Property, plant and equipment		<u>13.048.320</u>	<u>13.819.487</u>
Other receivables	7	<u>427.120</u>	<u>424.637</u>
Fixed assets investments		<u>427.120</u>	<u>424.637</u>
Fixed assets		<u>13.561.019</u>	<u>14.306.368</u>
Prepayments		<u>184.696</u>	<u>28.191</u>
Receivables		<u>184.696</u>	<u>28.191</u>
Cash		<u>1.665.969</u>	<u>1.818.770</u>
Current assets		<u>1.850.665</u>	<u>1.846.961</u>
Assets		<u>15.411.684</u>	<u>16.153.329</u>

Balance sheet at 31 December 2022

	Notes	2022 CAD	2021 CAD
Share capital	8	198.448	198.448
Retained earnings		<u>(46.726.798)</u>	<u>(32.483.317)</u>
Equity	9	<u>(46.528.350)</u>	<u>(32.284.869)</u>
Other provisions	10	<u>0</u>	<u>0</u>
Provisions		<u>0</u>	<u>0</u>
Trade payables		690.635	1.635.094
Payable to group enterprises		<u>61.249.399</u>	<u>46.803.104</u>
Short-term liabilities other than provisions		<u>61.940.034</u>	<u>48.438.198</u>
Liabilities other than provisions		<u>61.940.034</u>	<u>48.438.198</u>
Equity and liabilities		<u><u>15.411.684</u></u>	<u><u>16.153.329</u></u>
Going concern	1		
Assets charged, contingent liabilities, etc	11		
Ownership	12		
Staff costs	13		

Notes

	2022	2021
	CAD	CAD
1. Going concern		
The parent company has in the connection with the closing of the financial statements for 2022 issued a letter of comfort valid until at least 31 December 2023. The company has thus availability to liquidity to continue operations and fulfil liabilities when due for payment.		
2. Depreciation, amortisation and impairment losses		
Other fixtures and fittings, tools and equipment	721.072	299.771
	721.072	299.771
3. Other financial income/expenses		
Other financial income/expenses	200.757	264.134
	200.757	264.134
4. Other financial income/expenses		
Other financial income/expenses	0	0
	0	0
5. Intangible assets		
		Research and development
		CAD
Cost at 01.01.2022		62.244
Year additions		23.335
Cost at 31.12.2022		85.579
Depreciation and impairment losses at 01.01.2022		0
Depreciation and impairment losses at 31.12.2022		0
Carrying amount at 31.12.2022		85.579
Research and development consisting of mining properties.		

Notes (cont'd)

	Other fixtures and fittings, tools and equipment	
	CAD	
6. Property, plant and equipment		
Cost at 01.01.2022		14.644.212
Year additions		73.265
Year disposals		(282.036)
Cost at 31.12.2022		14.435.441
Depreciation and impairment losses at 01.01.2022		(824.725)
Year disposals		158.676
Depreciation and impairment losses		(721.072)
Depreciation and impairment losses at 31.12.2022		(1.387.121)
Carrying amount at 31.12.2022		13.048.320
	2022	2021
	CAD	CAD
7. Fixed assets investments		
Environmental Bond	427.120	424.637
Deposit on order	0	0
	427.120	424.637

In connection with the application for an exploitation license at Nalunaq, an initial amount representing the estimated reclamation costs was deposited in escrow as security for due performance of its obligations as required by the Bureau of Minerals and Petroleum in Greenland ("MLSA"). The escrowed amount will be released upon satisfactory fulfillment of its obligations.

Notes (cont'd)**8. Share capital**

Share capital consists of 1.002.018 share at DKK 1. The shares have not been divided into classes.

	<u>CAD</u>
Changes in share capital in the past eight financial years	
Share capital at 01.09.2015	100.901
Capital increase 21.10.2016	97.545
Capital increase 04.07.2017	1
Capital increase 28.05.2018, 25.06.2018 and 16.08.2018	<u>1</u>
Share capital at 31.12.2022	<u>198.448</u>

	<u>2022 CAD</u>	<u>2021 CAD</u>
9. Equity		
Equity at 01.01.2022	(32.284.869)	(14.566.705)
Capital increase	0	0
Premium at underwriting	0	0
Profit/loss for the year	<u>(14.243.481)</u>	<u>(17.718.164)</u>
Equity at 31.12.2022	<u>(46.528.350)</u>	<u>(32.284.869)</u>

Notes (cont'd)

	2022	2021
	CAD	CAD
10. Other provisions		
Provision for decommissioning costs	0	0
	0	0

The terms of the exploitation license held by the Company stipulates that should the activities under the license be terminated, the Company has a responsibility to remove all installations and equipment from the area and remedy any remaining damage to the terrain within 12 months of such termination. The cost of such reclamation and demobilization activities at Nalunaq is estimated at CAD 0 at 31 December 2022. The evaluation of the Nalunaq project is on-going, and at present the Company does not intend to terminate the activities under the license.

11. Assets charge, contingent liabilities etc.

The Company has been imposed a royalty obligation that will become effective when the mining begins.

The Nalunaq Licence and subsequent Addendums does not have a royalty clause. However, according to the Addendum 3 of the Mineral Resources Act enacted on July 1, 2014, the Greenland Government may set terms on the licensee's payment of royalty or consideration, if the Greenland Government and the licensee agree, since the Nalunaq Licence was granted before July 1, 2014. Nalunaq A/S may have to pay to the Government of Greenland a sales royalty of up to 2.5% of the value of the minerals. Nalunaq A/S may on certain terms offset an amount equal to paid corporate income tax and corporate dividend tax against the sales royalty to be paid.

12. Ownership

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

- Amaroq Minerals Ltd.

	2022	2021
	CAD	CAD
13. Staff costs		
Wages and salaries	1.042.848	2.764.249
	1.042.848	2.764.249
Average number of full-time employees	8	20