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## **Appendix 4 to addendum no. 3 to Standard Terms of 1 July 2014 for Exploration Licences for Minerals (Excluding Hydrocarbons) in Greenland**

### **Terms on royalty in an exploitation licence comprising exploitation of gemstones**

#### *Application of terms of this appendix 4 to exploitation licence granted on the basis of exploration licence*

This appendix 4 is and shall apply as an appendix to the Standard Terms for Exploration Licences for Minerals (Excluding Hydrocarbons) in Greenland of 16 November 1998, as amended by addendum no. 1 of 10 September 2010 to the standard terms of 16 November 1998, regarding addition of sections 709-711 to the said standard terms, by addendum no. 2 of 25 June 2013 to the standard terms of 16 November 1998, regarding change of sections 303 and 602 of the said standard terms, and by addendum no. 3 of 1 July 2014 to the standard terms of 16 November 1998, regarding addition of sections 1408.d to the said standard terms and addition of this appendix 4 and appendices 1-3 to the said standard terms. The standard terms of 16 November 1998, including addendum no. 1 thereto of 10 September 2010 in Danish, addendum no. 2 thereto of 25 June 2013 in Danish and addendum no. 3 thereto of 1 July 2014 in English, ("Standard Terms") are the official and applicable standard terms for licences for exploration for minerals.

The terms of this appendix 4 to the Standard Terms shall apply to and be a part of a licence for exploration for any minerals (excluding hydrocarbons) in Greenland ("Exploration Licence") pursuant to the terms thereon in the Standard Terms and below in this appendix 4.

The terms of this appendix 4 to the Standard Terms shall apply to and be a part of an exploitation licence, as part of the exploitation licence or as an appendix to the exploitation licence, if the following two conditions both are met:

1. The licensee under the Exploration Licence, as defined above, applies for and is granted the said exploitation licence on the basis of the Exploration Licence.
2. The said exploitation licence comprises exploitation of gemstones in Greenland.

If both of these two conditions are met, the terms of this appendix 4 shall apply to and be part of the exploitation licence, as stated above, to the extent the exploitation licence comprises exploitation of gemstones in Greenland.

*General definitions of this appendix 4*

Below in this appendix 4, the following terms shall have the meanings stated below, unless otherwise apparent from the context:

1. "licence" means an exploitation licence which (1) is granted on the basis of the Exploration Licence, as defined above, and (2) comprises exploitation of gemstones in Greenland.
2. "licensee" means the licensee under the licence, as defined above in definition no. 1.
3. "appendix" means this appendix 4.

**Article 1 Definitions and interpretations**

1.01 Below in this appendix, the following terms shall have the meanings stated below, unless otherwise apparent from the context:

- (a) "Annual Financial Report" has the meaning stated in section 2.32.
- (b) "Annual Profit" has the meaning stated in section 2.33.
- (c) "Annual Revenue" has the meaning stated in section 2.34.
- (d) "Annual Royalty Report" has the meaning stated in section 2.40.
- (e) "EBIT" has the meaning stated in section 2.33.
- (f) "EBITSR" has the meaning stated in section 2.33.
- (g) "Fully Processed Mineral" means any Mineral which is exploited under the licence and processed into an end mineral product, including, but not limited to, a fully cut and polished gem mineral. The MRA may set more specific terms or provisions on the definition, contents and delimitation of the term Fully Processed Mineral.
- (h) "Fully Processed Minerals" means more than one Fully Processed Mineral, as defined in section 1.01(g).
- (i) "HPS plan" or "handling, processing and sales plan" means a plan for the keeping, storage, handling, transport, processing and sale of all Minerals exploited under the licence. The HPS plan is part of the exploitation plan and the abandonment plan.
- (j) "Independent Parties" means parties which are not affiliated parties and are regarded as independent parties under transfer pricing rules, principles and guidelines of Greenland tax law and of international tax law agreements, rules, principles and guidelines applicable in Greenland from time to time.
- (k) "Independent Party" means any of the Independent Parties, as defined in section 1.01(j).
- (l) "licence" means the exploitation licence which the terms of this appendix apply to and are a part of, as part of the exploitation licence or as an appendix to the exploitation licence, as stated above.
- (m) "licensee" means the licensee under the licence, as defined in section 1.01(l).
- (n) "Mineral" means a mineral which is exploited under the licence, as defined in section 1.01(l), and is, or can be processed into, a gemstone.
- (o) "Mineral Resources Act" means Greenland Parliament Act no. 7 of 7 December 2009 on mineral resources and mineral resource activities, as amended by Greenland Parliament Act no. 26 of 18 December 2012 and any subsequent amendment Act or Acts, as applicable from time to time.

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- (p) "Minerals" means more than one Mineral, as defined in section 1.01(n).
- (q) "MRA" or "Mineral Resource Authority" means the mineral resource authority under the Government of Greenland, as determined by the Greenland Government in accordance with the Mineral Resources Act.
- (r) "Partly Processed Mineral" means any Mineral which is exploited under the licence and processed into a specific mineral product which (1) is defined or stated in the MRA's approval of the handling, processing and sales plan (HPS plan) or approval of any other plan for activities under the licence or in any other terms or provisions applicable to the licence or activities under the licence and (2) is not a Fully Processed Mineral. The MRA may set more specific terms or provisions on the definition, contents and delimitation of the term Partly Processed Mineral.
- (s) "Partly Processed Minerals" means more than one Partly Processed Mineral, as defined in section 1.01(r).
- (t) "Payable Sales Royalty" has the meaning stated in section 2.26.
- (u) "Payable Surplus Royalty" has the meaning stated in section 2.38.
- (v) "Preliminary Payment" has the meaning stated in section 2.29.
- (w) "preliminary valuation plan" means a plan for the preliminary valuation of Minerals exploited under the licence. The preliminary valuation plan is part of the exploitation plan.
- (x) "Profit Margin Percentage" has the meaning stated in section 2.35.
- (y) "Retention Rate" shall mean the part (share or proportion) of Minerals exploited under the licence which is processed into Fully Processed Minerals. The Retention Rate may be expressed as a percentage number equal to the part (share or proportion) of Minerals exploited under the licence which is processed into Fully Processed Minerals.
- (z) "Sales Royalty" has the meaning stated in section 2.02.
- (aa) "Sales Royalty Rate" has the meaning stated in section 2.03.
- (bb) "Statutory Fee" has the meaning stated in section 2.52.
- (cc) "Surplus Royalty" has the meaning stated in section 2.31.
- (dd) "Surplus Royalty Rate" has the meaning stated in section 2.31.
- (ee) "Total Value of Minerals" has the meaning stated in section 2.27.

1.02 In this appendix, "including" means including without limitation or prejudice to the generality of any description, definition, term or expression preceding that word. In this appendix, "including" also means including but not limited to. The word "include" and its derivatives shall be interpreted accordingly.

- 1.03 The terms of this appendix shall be and constitute an integral part of the licence, as defined in section 1.011.01(l), to which the terms of this appendix apply, as part of the licence or as an appendix to the licence, as stated above, and shall be deemed to be incorporated in the said licence.

## **Article 2 Royalty**

### *Sales Royalty and Surplus Royalty*

- 2.01 The licensee shall pay royalty to the Government of Greenland, represented by the MRA, pursuant to this Article 2. The royalty to be paid under this Article 2 comprises Sales Royalty, see sections 2.02-2.30 and 2.40-2.53, and Surplus Royalty, see sections 2.31-2.53.

### *Obligation to pay Sales Royalty and Sales Royalty Rate*

- 2.02 The licensee shall pay sales royalty (gross revenue royalty) ("Sales Royalty") as stated in this Article 2 to the MRA for Minerals which are exploited under the licence and considered sold under sections 2.04-2.06, irrespective of whether the actual sales price for the Minerals is determined under this Article 2 at a date which is subsequent to the date at which the Minerals are considered sold under sections 2.04-2.06.
- 2.03 Subject to sections 2.29 and 2.30, the Sales Royalty shall be paid annually at the rate of 5.5 per cent ("Sales Royalty Rate") on the basis of the value of Minerals sold and Minerals considered sold in the year concerned.

### *Sale of exploited Minerals*

- 2.04 Minerals shall be considered sold under this Article 2 when the licensee has sold the Minerals at an auction in accordance with the licence, irrespective of whether the auction is held in Greenland or another state.
- 2.05 Subject to section 2.04, Minerals shall be considered sold under this Article 2 when the licensee pursuant to Greenland tax law is considered to have acquired the right to payment of the sales price (consideration) for the Minerals under the sales agreement with the purchaser (in Danish: "har erhvervet ret til at modtage købesummen (vederlaget) for mineralerne efter købsaftalen med køberen"). In relation to this, Greenland tax law shall include rules, principles and guidelines of Greenland tax law and of international tax law agreements, rules, principles and guidelines applicable in Greenland from time to time.
- 2.06 A Mineral shall be considered sold under this Article 2 when the Mineral is lost or damaged and thereby cannot be sold, irrespective of the cause or causes of the loss or damage. For example, a Mineral may be lost by theft or damaged during processing, storage or transport.

*Volume of Minerals sold*

- 2.07 The volume of Minerals sold shall be determined with reference to the time when the Minerals are considered sold under this Article 2, see sections 2.04-2.06.
- 2.08 The volume of Minerals sold shall be determined with reference to the weight measured in carat, gram or kilogram.
- 2.09 Subject to sections 2.10-2.12, the licensee may determine the volume of Minerals sold in any manner which the licensee, based on an objective, informed and substantiated assessment, considers to be appropriate and accurate and in accordance with recognised best international practice. If the MRA, based on an objective, informed and substantiated assessment, considers the licensee's determination of the volume to be incorrect or inaccurate, the MRA may, after consulting the licensee, determine the volume in accordance with sections 2.10-2.12.
- 2.10 The volume of Minerals sold shall be determined in accordance with the licence, the approved handling, processing and sales plan (HPS plan), the approved preliminary valuation plan, other approved plans for activities under the licence, the MRA's approvals of the HPS plan, the preliminary valuation plan and such other plans and any terms set for such approvals.
- 2.11 If the Retention Rate, see section 1.011.01(y), for an exploited Mineral is less (lower) than any applicable Retention Rate set for the Mineral concerned in an approved HPS plan, the MRA's approval of a HPS plan or any other assessment of the MRA, the MRA may set another greater (higher) Retention Rate which shall be applied in the calculation of the volume of the said Mineral under this Article 2 and generally in relation to any matter comprised by this Article 2. The MRA may not set such other greater Retention Rate if the actual less (lower) Retention Rate is the result of one or more ordinary business decisions which are based on an objective, informed and substantiated assessment and made in accordance with the licence.
- 2.12 Subject to sections 2.10 and 2.11, the volume of Minerals sold shall be determined in accordance with Greenland tax law, including rules, principles and guidelines of Greenland tax law and of international tax law agreements, rules, principles and guidelines applicable in Greenland from time to time, and, subject to the said sections and the first part of this section 2.12, also in accordance with recognised best international practice for the determination of volumes of Minerals sold under similar conditions.

*Value of Minerals sold*

- 2.13 The value of Minerals sold shall be determined with reference to the volume of Minerals considered sold under this Article 2, see sections 2.04-2.12.

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- 2.14 The value of Minerals sold at a public auction in accordance with the terms of the licence shall be determined as the sales price paid or to be paid by the purchaser. No deduction shall be made for any cost, expense or other amount, including any sales commission, fee or other cost, any auction fee or other cost, any cash rebate or other rebate, any freight cost, any insurance cost or any financial cost. If the MRA, based on an objective, informed and substantiated assessment, considers (1) that the sales price paid or to be paid by the purchaser is not equal to the sales price obtainable in a sale in the most relevant free market, as determined in accordance with sections 2.21-2.23, and (2) that this is or probably may be, directly or indirectly and in whole or in part, the result of fraud, malpractice, collusion or any other extraordinary or unusual act, omission, circumstance, fact or matter, then the MRA may, after consulting the licensee, determine the value of the Minerals in accordance with sections 2.13 and 2.18-2.23.
- 2.15 Subject to sections 2.13 and 2.18-2.23, if Minerals are sold by the licensee to an Independent Party in relation to the licensee, the licensee may use the actual sales price to determine the value of the Minerals if the licensee, based on an objective, informed and substantiated assessment, considers the actual sales price to be equal to the sales price obtainable in a sale in the most relevant free market between Independent Parties, as determined in accordance with sections 2.21-2.23. If the MRA, based on an objective, informed and substantiated assessment, considers the licensee's actual sales price not to be equal to the sales price obtainable in a sale in the most relevant free market between Independent Parties, as determined in accordance with sections 2.21-2.23, the MRA may, after consulting the licensee, determine the value of the Minerals in accordance with sections 2.13 and 2.18-2.23.
- 2.16 Subject to sections 2.13 and 2.18-2.23, if Minerals are sold by the licensee to an Independent Party in relation to the licensee and the value of the Minerals are not determined in accordance with section 2.15, or if Minerals are sold by the licensee to a party which is not an Independent Party in relation to the licensee, the licensee shall, based on an objective, informed and substantiated assessment, determine the value of the Minerals as the sales price obtainable in a sale in the most relevant free market between Independent Parties, as determined in accordance with sections 2.21-2.23. If the MRA, based on an objective, informed and substantiated assessment, considers the licensee's determined value of the Minerals not to be equal to the sales price obtainable in a sale in the most relevant free market between Independent Parties, as determined in accordance with sections 2.21-2.23, the MRA may, after consulting the licensee, determine the value of the Minerals in accordance with sections 2.13 and 2.18-2.23.
- 2.17 The value of Minerals considered sold under section 2.06 shall be the preliminary value determined by the preliminary valuation under the licence, adjusted in accordance with any other information relevant to a correct valuation, if any such preliminary value has been determined by any such preliminary valuation under the licence. If such preliminary value has not been determined by such preliminary valuation under the licence, the licensee shall, based on an objective, informed and substantiated assessment, determine the value of the Minerals as the sales price obtainable in a sale in the most relevant free market between Independent Parties, as determined in accordance with sections 2.21-2.23. If the MRA, based on an

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objective, informed and substantiated assessment, considers the licensee's determined value of the Minerals not to be equal to the sales price obtainable in a sale in the most relevant free market between Independent Parties, as determined in accordance with sections 2.21-2.23, the MRA may, after consulting the licensee, determine the value of the Minerals in accordance with sections 2.13 and 2.18-2.23.

- 2.18 The value of Minerals sold shall be determined in accordance with the licence, the approved handling, processing and sales plan (HPS plan), the approved preliminary valuation plan, other approved plans for activities under the licence and the MRA's approvals of the HPS plan, the preliminary valuation plan and such other plans and any terms set for such approvals.
- 2.19 Subject to sections 2.13 and 2.18, the value of Minerals sold shall be determined in accordance with Greenland tax law, including rules, principles and guidelines of Greenland tax law and of international tax law agreements, rules, principles and guidelines applicable in Greenland from time to time.
- 2.20 Subject to sections 2.13, 2.18 and 2.19, the value of Minerals sold shall also be determined in accordance with recognised best international practice for the determination of values of Minerals sold under similar conditions.
- 2.21 Subject to sections 2.13 and 2.18-2.20, the value of Minerals sold shall be the sales price obtainable in a sale in the most relevant free market between Independent Parties, see sections 2.22-2.23, for the volume of Minerals sold under this Article 2. If there is no such sales price, the value of Minerals sold shall be the price generally charged, at the time the Minerals are considered sold under this Article 2, for such Minerals sold under similar circumstances and in similar qualities and quantities in the trade concerned between Independent Parties.
- 2.22 The most relevant free market shall be the most recognised and representative free market for sale of the Minerals concerned (or, if there is no free market for sale of the Minerals concerned, for sale of the most similar Minerals) for delivery from Greenland or another country from which the Minerals are to be delivered (or, if there is no such market for delivery from Greenland or the said other country, from the place or country most similar to Greenland in respect of delivery of such Minerals) to the place or country where the Minerals concerned are delivered or to be delivered to a purchaser (or, if there is no such market for delivery to the said place or country of delivery, to the place or country most similar to the said place or country of delivery in respect of delivery of such Minerals).
- 2.23 The sales price obtainable for a sale in the most relevant free market shall be determined by reference to the most relevant sales price or prices of the most recognised and representative market price index (list) or indexes (lists) if there is any such price or prices of any such index or indexes.

*Other costs*

- 2.24 In the determination of the value of Minerals sold or considered sold, no deduction shall be made for any cost, expense or other amount, including any sales commission, fee or other cost, any auction fee or other cost, any cash rebate or other rebate, any freight cost, any insurance cost or any financial cost.

*Sale etc. of Minerals not in accordance with terms of the licence*

- 2.25 If the licensee sells, legally or actually transfers, pledges, mortgages, charges, leases, disposes of or otherwise legally or actually deals with any Mineral exploited under the licence in contravention or disregard of or otherwise not in accordance with the licence, the Mineral shall be deemed to have been sold under this Article 2 and MRA shall, based on an objective, informed and substantiated assessment, set the volume and the value of the Minerals concerned. The set volume and value of the Minerals concerned shall be applied in the calculation of royalty under this Article 2 and generally in relation to any matter comprised by this Article 2.

*Payable Sales Royalty*

- 2.26 The Sales Royalty to be paid by the licensee to the MRA ("Payable Sales Royalty") shall be calculated annually for each calendar year.
- 2.27 The Payable Sales Royalty shall be calculated by applying the Sales Royalty Rate, as set in section 2.03, to the total (aggregate) sum of all values of all volumes of all Minerals sold in the said calendar year concerned ("Total Value of Minerals"). The volumes of the Minerals shall be determined in accordance with sections 2.07-2.12. The values of the Minerals shall be determined in accordance with sections 2.13-2.24.
- 2.28 If subsequent corrections are made to the Payable Sales Royalty calculated for a calendar year, these corrections shall be referred back to the calendar year to which the corrections relate. The licensee shall make any required updated calculations of corporate income tax. The licensee shall make a corrected calculation of the Payable Sales Royalty and shall submit the corrected calculation and a corrected Annual Royalty Report, as defined in section 2.40, to the MRA.

*Preliminary Payment of Sales Royalty*

- 2.29 The licensee shall make a preliminary payment of Sales Royalty ("Preliminary Payment") to the MRA for Minerals which are exploited under the licence and considered sold under sections 2.04-2.06 if the licensee shall make any preliminary or other advance payment, any instalment payment, any prepayment or any other periodic payment during a calendar year of corporate income tax under Greenland tax law as applicable from time to time. The Preliminary Payment shall then be made for the same periods and on the same dates and terms (if relevant in relation to Preliminary Payment of royalty) as the said payment of corporate income tax. The Preliminary Payment shall be an amount equal to 5.5 per cent of the aggregate (total) value of all the Minerals sold. The aggregate (total) value of the Minerals sold shall be calculated

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on the basis of the volume and the value of the Minerals sold, as calculated in accordance with sections 2.04-2.24.

2.30 The Preliminary Payment shall be paid to the MRA in accordance with the terms on payment of Payable Sales Royalty in sections 2.48-2.50.

#### *Surplus Royalty*

2.31 The licensee shall pay a surplus royalty ("Surplus Royalty") at a rate of 15 per cent ("Surplus Royalty Rate") on any profit in any calendar year to the extent the annual profit exceeds a profit margin percentage of 40 per cent.

2.32 Subject to section 2.39, the Surplus Royalty and any other amount to be calculated in relation to the Surplus Royalty shall be calculated on the basis of the financial figures (amounts) and the information stated in the audited annual financial report ("Annual Financial Report") for the licensee company (or the said reports for the licensee companies, if several companies hold shares in the licence) submitted pursuant to Greenland law and Danish law applicable in Greenland from time to time, for the activities comprised by the licence in the calendar year concerned.

2.33 Subject to section 2.39, in the calculation of Surplus Royalty (and for this purpose only and with no other effect), an annual profit ("Annual Profit") shall be calculated for the calendar year concerned. The Annual Profit shall be an amount equal to the annual earnings before financial items and tax ("EBIT") (the annual result of operations before financial items and tax (in accounting also referred to as operating income (or operating profit/loss))) according to the Annual Financial Report as defined in section 2.32. EBIT shall be adjusted for any Surplus Royalty included in the profit and loss account for the calendar year concerned. Accordingly, in the calculation of Surplus Royalty, an amount equal to the annual earnings before financial items, tax and surplus royalty ("EBITSR") shall be calculated as the EBIT plus (that is with addition of) any Surplus Royalty entered (treated) as an expense in the Annual Financial Report less (that is with deduction of) any Surplus Royalty entered (treated) as an income in the Annual Financial Report (in case of adjustment and repayment regarding prior year or years). Sales Royalty shall be deductible in the calculation of EBIT and EBITSR.

2.34 Subject to section 2.39, in the calculation of Surplus Royalty (and for this purpose only and with no other effect), an annual revenue amount ("Annual Revenue") shall be calculated for the calendar year concerned. The Annual Revenue shall be an amount equal to the annual revenue (sales earnings/income), as stated in the Annual Financial Report.

2.35 Subject to section 2.39, in the calculation of Surplus Royalty (and for this purpose only and with no other effect), an annual profit margin percentage ("Profit Margin Percentage") shall be calculated for the calendar year concerned. The Profit Margin Percentage shall be the Annual Profit multiplied by 100 and

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divided by the Annual Revenue (that is  $\text{Annual Profit} * 100 / \text{Annual Revenue} = \text{Profit Margin Percentage}$ ).

2.36 If the Profit Margin Percentage for a calendar year is less (lower) than or equal to 40 per cent, no Surplus Royalty shall be paid for that calendar year.

2.37 If the Profit Margin Percentage for a calendar year is greater (higher) than 40 per cent, Surplus Royalty shall be paid for that calendar year.

2.38 In the calculation of the Surplus Royalty amount to be paid for a calendar year, a payable Surplus Royalty amount ("Payable Surplus Royalty") shall be calculated as the Profit Margin Percentage less (that is with deduction of) 40 per cent multiplied by the Annual Revenue and by the Surplus Royalty Rate of 15 per cent (that is  $(\text{Profit Margin Percentage} - 40\%) * \text{Annual Revenue} * 15\% = \text{Payable Surplus Royalty}$ ).

2.39 In the calculation of the Surplus Royalty, adjustments with the following positive and/or negative amounts (numbers) shall be made:

- (a) If the Annual Revenue, as stated in section 2.34, calculated on the basis of the amounts (figures) entered (treated) as an income in the Annual Financial Report is less (lower) than the Payable Sales Royalty, as stated in 2.27, the Annual Revenue shall be adjusted so it is equal to the Payable Sales Royalty. The adjusted Annual Revenue shall be applied in the calculation of the Surplus Royalty.
- (b) If the EBIT calculated on the basis of the amounts (figures) entered (treated) as incomes and expenses in the Annual Financial Report has been reduced by deducting any financial expense or other financial item amount, including (but not limited to) an interest amount, an interest part (elements) of a financial leasing payment or a loss on or expense in relation to a financial instrument, the EBIT and the EBITSR shall be adjusted by adding the said financial item amount to the EBIT and the EBITSR. The adjusted EBIT and EBITSR shall be applied in the calculation of the Surplus Royalty.
- (c) If the EBIT calculated on the basis of the amounts (figures) entered (treated) as incomes and expenses in the Annual Financial Report has been reduced by deducting any expense, including any cost, amount which is not directly related to the licensee's activities under the licence, the EBIT and the EBITSR shall be adjusted by adding the said expense amount to the EBIT and the EBITSR. The adjusted EBIT and EBITSR shall be applied in the calculation of the Surplus Royalty.
- (d) If any amount (figure) used in relation to the calculation of the Surplus Royalty has not been determined, set or used in accordance with this Article 2 or any other part of the licence, the said

amount shall be adjusted so it is in accordance with this Article 2 and any other part of the licence.  
The said adjusted amount shall be applied in the calculation of the Surplus Royalty.

*Annual Royalty Report, audit and submission of information and documents relating to royalty*

- 2.40 The licensee shall prepare an annual report ("Annual Royalty Report") on all matters relating to the royalty and its calculation and payment. Such matters include (but are not limited to) the following:
- (a) The volume of Minerals sold, including separate information for Minerals actually sold and for Minerals considered sold under this Article 2.
  - (b) The place and time of sale of Minerals, including separate information for Minerals actually sold and for Minerals considered sold under this Article 2.
  - (c) The value of Minerals sold, including separate information for Minerals actually sold and for Minerals considered sold under this Article 2.
  - (d) Minerals exploited and neither sold nor considered sold under this Article 2, including separate information for non-processed Minerals, Partly Processed Minerals and Fully Processed Minerals.
  - (e) Surplus Royalty amount.
  - (f) Payable Sales Royalty.
  - (g) Preliminary Payment and its calculation and payment.
  - (h) EBIT.
  - (i) EBITSR.
  - (j) Annual Profit.
  - (k) Annual Revenue.
  - (l) Profit Margin Percentage.
  - (m) Payable Surplus Royalty.

For Minerals sold or considered sold under this Article 2, the Annual Royalty Report shall include information on the matters mentioned in letters (a) to (d) above for each Mineral if this is possible and otherwise for each batch or other unit used for each sale as well as for all such Minerals. The MRA may set further terms on reporting in relation to these matters.

- 2.41 The Annual Royalty Report for a calendar year shall be submitted by the licensee to the MRA no later than 1 May the subsequent calendar year or the later date in the subsequent calendar year at which the licensee submits its annual tax return for the said calendar year and may do so under Greenland tax law.
- 2.42 The Annual Royalty Report for a calendar year shall have been audited in accordance with section 2.43 when the Annual Royalty Report is submitted by the licensee to the MRA in accordance with sections 2.40 and 2.41.
- 2.43 The licensee shall appoint a state authorised public accountant to perform an annual audit of the Annual Royalty Report and the accounting records which form the basis of the Annual Royalty Report and of the

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calculation of the royalty. The state authorised public accountant's audit for any calendar year shall be completed and the audit report issued and submitted to the MRA no later than 1 May the subsequent calendar year or the later date in the subsequent calendar year at which the licensee submits its annual tax return for the said calendar year and may do so under Greenland tax law. The audit shall be performed in accordance with International Standards on Assurance Engagements (ISAE 3000) and the audit report shall provide reasonable assurance that the Annual Royalty Report is complete, accurate and free from any material misstatement. The MRA shall be entitled to perform an independent outside audit and may appoint a state authorised public accountant or other auditor to participate in or perform the independent outside audit. The costs of auditors shall be paid by the licensee.

2.44 Any information and document relating to the calculation, payment and/or reporting of royalty shall be submitted, without undue delay, by the licensee to the MRA at the request of the MRA.

2.45 The Annual Royalty Report shall be prepared, submitted, reviewed by the MRA and audited in accordance with rules, principles and guidelines of Greenland tax law and of international tax law agreements, rules, principles and guidelines applicable in Greenland, to the extent the application of such rules, principles and guidelines are relevant and appropriate in relation to the Annual Royalty Report.

#### *Currency and currency conversion*

2.46 As regards currency and currency conversion, the Payable Sales Royalty, the Payable Surplus Royalty and any other amount stated in the Annual Royalty Report shall be calculated and stated in accordance with Greenland tax law relating to currency and currency conversion and shall be in the currency used to calculate and stated in the final approved tax assessment for the same calendar year.

#### *Payment of royalty*

2.47 Subject to sections 2.29-2.30, the Payable Sales Royalty and the Payable Surplus Royalty for a calendar year shall be paid by the licensee to the MRA in Danish kroner (DKK) no later than 20 November in the subsequent calendar year.

2.48 The licensee shall transfer (by electronic funds transfer) the Payable Sales Royalty and the Payable Surplus Royalty in full (without any cost, fee, charge or other amount to be paid or borne by the Greenland Government or its bank(s)) in Danish kroner (DKK) to one or more bank accounts designated by the MRA.

2.49 If the licensee has paid one or more Preliminary Payments to the MRA in a calendar year and the total (aggregate) amount paid as Preliminary Payments in that calendar year is less (lower) than the total (aggregate) amount to be paid as Payable Sales Royalty and the Payable Surplus Royalty, then the licensee shall only pay the difference (balance) between the said two total (aggregate) amounts.

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2.50 If the licensee has paid one or more Preliminary Payments to the MRA in a calendar year and the total (aggregate) amount paid as Preliminary Payments in that calendar year is greater (higher) than the total (aggregate) amount to be paid as Payable Sales Royalty and the Payable Surplus Royalty, then the MRA shall repay the difference (balance) between the said two total (aggregate) amounts. The MRA shall repay the said difference (balance) by transferring the amount in full (without any cost, fee, charge or other amount to be paid or borne by the licensee or its bank(s)) in Danish kroner (DKK) to one or more bank accounts designated by the licensee.

*Obligation to pay direct and indirect taxes etc.*

2.51 The licensee shall, in addition to the Payable Sales Royalty and the Payable Surplus Royalty for a calendar year under this Article 2, pay any direct and indirect taxes, including corporate income tax and corporate dividend withholding tax, pursuant to Greenland tax law in force from time to time.

2.52 Subject to section 2.51, if the Greenland Parliament passes a statute on payment of a royalty, surplus royalty or similar fee to be paid for and calculated on the basis of (1) the volume or value of, or profit or other profit related matters derived from the exploitation and sale of, the same specific types of minerals exploited and sold under mineral exploitation licences as the Minerals exploited and sold under this licence or (2) the licence area comprised by licences for exploitation of the same specific types of minerals as the Minerals exploited and sold under this licence (each of no. 1 or 2 above a "Statutory Fee"), the licensee shall not pay any Payable Sales Royalty under this Article 2 from the date of coming into force of such statute if the licensee has an obligation to pay and actually pays such Statutory Fee for Minerals exploited and sold under this licence or for the licence area of this licence. The licensee shall, in addition to payment of such Statutory Fee, pay any other direct and indirect taxes, including corporate income tax and corporate dividend withholding tax, pursuant to Greenland tax law in force from time to time. If the Greenland Parliament passes a statute on payment of fees or charges etc. not comprised by this section 2.52, the licensee shall still pay Payable Sales Royalty under this Article 2. Examples of such fees or charges etc. not comprised by this section 2.52 include, but are not limited to, an environmental fee, a fee, charge or obligation relating to emission of carbon dioxide (CO<sub>2</sub>) or other greenhouse gases, another climate fee, a fee relating to health or safety of person or property or a value added tax (VAT). Examples of fees comprised by this section 2.52 include, but are not limited to, a special royalty to be paid for and calculated on the basis of the volume or value of a specified mineral exploited and sold under mineral exploitation licences, a special surplus royalty to be paid for and calculated on the basis of profit derived from the exploitation and sale of a specified mineral under mineral exploitation licences, or a special area fee to be paid for and calculated on the basis of the licence area comprised by licences for exploitation of a specified mineral.

*Further provisions and decisions on royalty matters*

2.53 Subject to sections 2.01-2.52, the MRA may lay down further provisions and make decisions on procedures, documentation and administrative matters relating to sections 2.01-2.52. If there is a conflict

or an inconsistency between sections 2.01-2.52 and a provision laid down or a decision made under this section 2.53, sections 2.01-2.52 shall take precedence over the said provision or decision. In determining whether to lay down further provisions and make decisions on procedures, documentation and administrative matters relating to sections 2.01-2.52, the MRA shall consult with the licensee and act reasonably and in accordance with general rules and principles of Greenland administrative law, including the principle of objectiveness, the principle of proportionality and the principle of equal treatment.