

Guidelines to accounts form for exploration expenses

General remarks

The guidelines below have been prepared in order to assist licensees in Greenland in their reporting of defrayed exploration expenses. The guidelines have been prepared on the basis of the provisions in "Application procedures and standard terms for exploration and prospecting licences for minerals in Greenland" and therefore they will detail and supplement these standard terms.

The accounts form is designed as a number of boxes 1A-8G, in which the actual expenses etc. are to be stated. Beneath the boxes there should be a statement of the total exploration expenses through a statement of various supplements and any exchange rate translation. If the licence holder has defrayed expenses on a prospecting licence or special exploration licence for large areas in North and East Greenland, a supplementary form should be used, which follows immediately after the accounts form. The following describes in more detail the individual parts of the accounts form.

Currency

The currency in which the amounts in boxes 1A-8G are stated should be disclosed in the right-hand corner of the form next to the text "currency". All amounts in boxes 1A-8G must be translated into the same currency. Other currencies than DKK are permitted, provided the licensee's bookkeeping is carried out in this other currency. If boxes 1A-8G are completed in another currency than DKK, translation to DKK should be carried out beneath the boxes next to the text "Translated to DKK at rate". The exchange rate applied should be the rate on the first business day in July of the relevant calendar year published by Danmarks Nationalbank (Denmark's central bank) or some other translation procedure approved by the Mineral Licence and Safety Authority (MLSA). The approved rate is published on the MLSA website; www.govmin.gl.

Boxes 1A-8G in the accounts form

Listed below are the expenses to be included in the respective rows and columns.

1. Field work in Greenland; expenses relating to physical activities in Greenland in connection with mineral exploration.
 2. Laboratory work; expenses relating to analyses of samples etc. taken from the exploration area.
 3. Metallurgic surveys; expenses for metallurgic analyses relating to the exploration area.
 4. Environmental surveys; expenses for environmental analyses relating to the exploration area.
 5. Engineering and technical surveys; expenses for engineering and technical analyses relating to the exploration area.
 6. Pre-feasibility and feasibility studies, including market surveys; expenses for diverse financial analyses and reports relating to the projects income, expenses, investments, financing etc.
 7. Other expenses approved by the MLSA; if the licensee has obtained approval for this type of expenses, documentation of the approval should be enclosed as an annex to the accounts form.
 8. Total; the sum of the above boxes.
- A. Salaries; expenses to the employees of the licensee during field work in Greenland, including holiday pay and other direct social expenses and staff expenses.

- B. Salary supplement 100 %; expenses stated in the box on the left should be repeated here. This cost is deemed to cover staff expenses defrayed before and after field work.
- C. External consultants; expenses paid to external consultants or other firms supplying services that can be attributed to the exploration licence.
- D. Equipment and materials; expenses for purchasing or renting equipment, materials etc., which is exclusively used in exploration under the relevant exploration licence.
- E. Transport of staff and equipment; expenses of transport of staff and equipment to, from and in the licence area, this means inside Greenland or between Greenland and other countries.
- F. Other expenses approved by the MLSA; if the licensee has obtained approval for this type of expenses, documentation of the approval should be enclosed as an annex to the accounts form.
- G. Total; the sum of the six boxes on the left side of column G.

If the expenses defrayed relate to work carried out under several licences, the expenses must be divided between these licences proportional to the work carried out.

Lines beneath the boxes in the accounts form

The sum of all the expenses in boxes 1A-7F should be stated in box 8G. This figure should be repeated on the line beneath box 8G next to the text "Transferred from box 8G". Next to the text "General supplement, 50 % of the above" half of the amount in box 8G should be stated. This general supplement is deemed to cover general overhead expenses related to the exploration licence such as management, administration, legal assistance, auditors etc.

The sum of the two amounts mentioned above should be stated next to the text "Exploration expenses incl. general supplement". This amount will be 150 % of the amount in box 8G. If boxes 1A-8G are stated in DKK, 100 should be stated in the next line by the text "Translated to DKK at rate". If exchange rate translation is required, please see the section above on currency.

Expenses of prospecting licences or special exploration licences for large areas in North and East Greenland

If the licensee has defrayed expenses of this nature, these may be included in a supplementary form, which follows the accounts form. The principles for posting and statement of the expenses are the same as for the exploration expenses, as described above. The expenses to be approved by the MLSA may be included in the supplementary form within three years from the end of the calendar year in which the expenses are defrayed. The period should be stated in the heading of the supplementary form.

It is a requirement that the areas covered by the exploration licence are entirely or partly within the area covered by the prospecting licence. The holder of the exploration licence should also be the same, or in the same group (as parent, subsidiary or fellow subsidiary company) as the holder of the prospecting licence.

If several parties defray the prospecting expenses, the expenses may be divided between the parties as desired, and the MLSA should be informed. The expenses defrayed may only be included once in the statement for an exploration licence.

The total expenses of prospecting in DKK as stated in the supplementary form should be transferred to the second-last line in the accounts form next to the text "expenses of prospecting licence or special exploration licence transferred from supplementary form".

Total exploration expenses

The total exploration expenses are the sum of any expenses related to the prospecting licence and the translated exploration expenses for the year (incl. the general supplement of 50 %). The amount should be disclosed in the auditor's report. Both the accounts form and the supplementary form should be sent electronically to the MLSA.