



GREENLAND
MINERALS AND ENERGY LTD

GREENLAND MINERALS AND ENERGY LIMITED
CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2010



Contents

Director's report	1
Auditor's independence declaration	3
Independent Auditor's Review report	4
Directors declaration	6
Condensed consolidated statement of comprehensive income	7
Condensed consolidated statement of financial position	8
Condensed consolidated statement of changes in equity	9
Condensed consolidated statement of cash flows	10
Notes to the condensed consolidated financial statements	11



Directors' Report

The directors of Greenland Minerals and Energy Limited herewith submit the consolidated financial report of Greenland Minerals and Energy Limited (the Consolidated Entity), for the half-year ended 30 June 2010. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The Names of directors of the Company during or since the end of the half-year are:

Michael Hutchinson, **Executive Chairman**
Roderick Claude McIlree, **Managing Director**
Simon Cato, **Executive Director**
Anthony Ho, **Non-executive Director**
Malcolm Mason, **Non-executive Director**
Jeremy Sean Whybrow, **Non-executive Director**
Hans Kristian Vinding Schønswandt, **Non-Executive Director** – resigned 9 March 2010

Principal Activities

The principal activity of the Consolidated Entity during the period was mineral exploration and project evaluation.

Review of Operations

The net loss after providing for income tax amount to \$3,275,269 compared to \$2,306,949 for the corresponding period last year.

During the half-year the principle focus of the Consolidated Entity has been:

- The continued evaluation of the Kvanfjeld multi element project in southern Greenland
- The commencement of the 2010 drill season in May 2010.

Rounding off of amounts

The Consolidated Entity is a consolidated entity of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors Report and half-year Financial Report are rounded off to the nearest thousand dollars unless otherwise indicated.



Directors' Report

Auditor's Independence Declaration

The Auditor's independence declaration is included on page 3 of the half-year financial report.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the *Corporations Act 2001*.

A handwritten signature in black ink, enclosed in an oval shape. The signature appears to read 'M. Mason'.

Malcolm Mason
Director

Date 10 September 2010

The Board of Directors
Greenland Minerals and Energy Limited
Level 1
33 Colin Street
West Perth WA 6000

10 September 2010

Dear Board Members

Greenland Minerals and Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Greenland Minerals and Energy Limited.

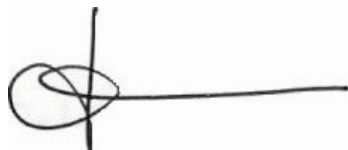
As lead audit partner for the review of the financial statements of Greenland Minerals and Energy Limited for the half year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants

Independent Auditor's Review Report to the members of Greenland Minerals and Energy Ltd

We have reviewed the accompanying half-year financial report of Greenland Minerals and Energy Ltd, which comprises the condensed statement of financial position as at 30 June 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 6 to 15.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Greenland Minerals and Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Greenland Minerals and Energy Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, consisting of a stylized circular loop followed by a horizontal line extending to the right.

Leanne Karamfiles

Partner

Chartered Accountants

Perth, 10 September 2010



Directors' declaration

The directors declare that:

- a) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity.

Signed in accordance with a resolution of the directors made in pursuant to s305(5) of the Corporations Act 2001.

On the behalf of the Directors

A handwritten signature in black ink, enclosed in a hand-drawn oval. The signature appears to read 'M. Mason'.

Malcolm Mason
Director

Perth, 10 September 2010



Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2010

	Consolidated	
	30-Jun-10	30-Jun-09
	\$' 000	\$' 000
Revenue	278	524
Other income	360	88
Expenditure		
Directors benefits	(464)	(1,052)
Employee benefits	(295)	(40)
Consultant expense	(173)	(91)
Legal fees	(359)	(443)
Occupancy expenses	(179)	(152)
Payroll tax	(1,110)	-
Travel expenses	(352)	(231)
Other expenses	(981)	(910)
Loss before tax	(3,275)	(2,307)
Income tax expense	-	-
Loss for period	(3,275)	(2,307)
Other comprehensive income		
Exchange difference arising on translation of foreign operations	(851)	(1,060)
Loss on available-for-sale investments taken to equity	(151)	-
Income tax relating to components of comprehensive income	-	-
Total other comprehensive income	(1,002)	(1,060)
Total comprehensive income for the period	(4,277)	(3,367)
Loss attributable to:		
Owners of the parent	(3,091)	(2,301)
Non-controlling interest	(184)	(6)
	(3,275)	(2,307)
Total comprehensive income attributable to:		
Owners of the parent	(4,093)	(3,361)
Non-controlling interest	(184)	(6)
	(4,277)	(3,367)
Basic loss per share – cents per share	1.3	1.1
Diluted loss per share – cents per share	1.3	1.1

The accompanying notes from part of this financial report on pages 11 to 15.



Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Note	Consolidated	
		30-Jun-10 \$' 000	31-Dec-2009 \$' 000
Current Assets			
Cash and cash equivalents	3	3,623	7,614
Trade and other receivables	4	868	1,971
Other assets	5	7,214	515
Total Current Assets		11,705	10,100
Non-Current Assets			
Financial Assets		66	-
Property, plant and equipment		470	460
Capitalised exploration and evaluation expenditure	6	38,616	37,129
Total Non-Current Assets		39,152	37,589
Total Assets		50,857	47,689
Current Liabilities			
Trade and other payables	7	6,049	696
Provisions	8	1,186	79
Total Current Liabilities		7,235	775
Total Liabilities		7,235	775
Net Assets		43,622	46,914
Equity			
Issued Capital	9	109,343	103,685
Reserves		148,282	153,957
Accumulated Losses		(213,775)	(210,684)
Equity attributable to equity holders of the parent		43,850	46,958
Non-controlling interest		(228)	(44)
Total Equity		43,622	46,914

The accompanying notes from part of this financial report on pages 11 to 15.



Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2010

	Share capital \$' 000	Option reserve \$' 000	Investment revaluation reserve \$' 000	Foreign currency translation reserve \$' 000	Accumulated losses \$' 000	Attributable to equity holders of the parent \$' 000	Non-controlling interest \$' 000	Total \$' 000
Balance at 1 Jan 2009	94,396	155,081	-	1,066	(204,675)	45,868	34	45,902
Net loss for the period	-	-	-	-	(2,301)	(2,301)	(6)	(2,307)
Other Comprehensive income	-	-	-	(1,060)	-	(1,060)	-	(1,060)
Total comprehensive for the period	-	-	-	(1,060)	(2,301)	(3,361)	(6)	(3,367)
Issue of shares net of transaction costs	4,123	-	-	-	-	4,123	-	4,123
Recognition of share based payments	-	1,451	-	-	-	1,451	-	1,451
Balance at 30 June 2009	98,519	156,532	-	6	(206,976)	48,081	28	48,109
Balance at 1 Jan 2010	103,685	153,958	-	(1)	(210,684)	46,958	(44)	46,914
Net loss for the period	-	-	-	-	(3,091)	(3,091)	(184)	(3,275)
Other Comprehensive income	-	-	(151)	(851)	-	(1,002)	-	(1,002)
Total comprehensive for the period	-	-	(151)	(851)	(3,091)	(4,093)	(184)	(4,277)
Issue of shares form option exercise	5,758	(4,673)	-	-	-	1,085	-	1,085
Share issue costs	(100)	-	-	-	-	(100)	-	(100)
Balance at 30 June 2010	109,343	149,285	(151)	(852)	(213,775)	43,850	(228)	43,622

The accompanying notes from part of this financial report on pages 11 to 15.



Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2010

	Consolidated	
	30-Jun-10 \$' 000	30-Jun-09 \$' 000
Cash flows from operating activities		
Receipts from customers	129	496
Payments to suppliers and employees	(2,481)	(1,868)
Net cash used in operating activities	(2,352)	(1,372)
Cash flows from investing activities		
Interest received	185	120
Proceeds from advances to other parties	1,000	959
Payments for property, plant and equipment	(88)	(124)
Payments for exploration and development	(3,506)	(3,741)
Payment for available for sale assets	(217)	-
Net cash used in investing activities	(2,626)	(2,786)
Cash flows from financing activities		
Proceeds from issue of shares/options	1,087	5,000
Share issue costs	(100)	(282)
Net cash from financing activities	987	4,718
Net (decrease)/ increase in cash and equivalents	(3,991)	560
Cash and equivalents at the beginning of the financial period	7,614	13,479
Cash and equivalents at the end of the financial period	3,623	14,039

The accompanying notes from part of this financial report on pages 11 to 15.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2010

Note 1: Statement of significant accounting policies

Statement of compliance

The half-year report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The Half Year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented has been rounded to the nearest thousand dollars, unless otherwise stated.

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's financial report for the 6 months ended 31 December 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised accounting standards

In the current period, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2010. The adoption of these new and revised standards and interpretations has not resulted in any changes to the Consolidated Entity's accounting policies or the amounts reported in the current or past reporting periods.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2010

Note 2: Segmented reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment to assess its performance.

The Consolidated Entity undertakes mineral exploration and evaluation in Greenland, associated wholly with the Kvanefjeld project. One operating segment is identified, which is unchanged from that identified at 31 December 2009.

Note 3: Cash and cash equivalents

	Consolidated	
	30-Jun-10 \$' 000	31-Dec-09 \$' 000
Cash on hand	9	2
Cash at bank and on deposit	3,614	7,612
	<u>3,623</u>	<u>7,614</u>

Note 4: Trade and receivables

Included in trade and is an amount of \$700,004, being a refund due from the Australian Taxation Office for research and development rebates.

Note 5: Other Assets

	Consolidated	
	30-Jun-10 \$' 000	31-Dec-09 \$' 000
Deposit bonds	124	111
Prepayments	1,762	188
Funds held in trust for un-issued shares (i)	4,752	-
Investments carried at fair value:		
Shares in listed companies	300	300
Changes in fair value (ii)	276	(84)
	<u>7,214</u>	<u>515</u>

- (i) Funds held in trust, relates to funds received as part of a capital raising. These funds were held in trust pending the issue of shares that formed part of the capital raising completed in July 2010.
- (ii) Movement in fair value is based on the closing price on the Australian Securities Exchange, of the shares held at the end of the reporting date.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2010

Note 6: Capitalised exploration and evaluation expenditure

	Consolidated	
	30-Jun-10 \$' 000	31-Dec-09 \$' 000
Balance at beginning of period	37,129	33,694
Exploration and/or evaluation phase in current period:		
Capitalised expenses (i)	2,364	4,135
	39,493	37,829
Less:		
Government rebates	-	(700)
Effects of movements in exchange rates	(877)	-
Balance at end of period	38,616	37,129

- (i) On the 31 July 2007, Greenland Minerals and Energy Limited acquired a 61% interest in the Kvanefjeld Project. As part of the acquisition, the Company entered into an un-incorporated joint venture with Westrip Holdings Limited (Westrip), a UK based company to carry out the exploration and evaluation of Kvanefjeld. The Consolidated Entity holds a 61% interest in the joint venture with Westrip holding the balance. Under the initial acquisition agreement, Greenland Minerals and Energy Limited, for the first 2 years from the date of acquisition was required to fully fund the exploration and evaluation expenditure, while maintaining the 61%-39% holding interest.
- (ii) The recoverability of the Consolidated Entity's carrying value of the capitalized exploration and evaluation expenditure relating to the Kvanefjeld Project is subject to the successful development and exploitation of the exploration property. The Consolidated Entity will carry out a definitive feasibility study including among other areas, environmental and social impact studies, with the intention of applying for the right to mine. Alternatively recoverability could result from the sale of the tenement at an amount at least equal to the carrying amount. Refer to note 12 for further information.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2010

Note 7: Trade and other payables

	Consolidated	
	30-Jun-10	31-Dec-09
	\$' 000	\$' 000
Accrued expenses	60	389
Trade creditors	1,054	277
Sundry creditors	183	30
Funds held in trust (i)	4,752	-
	6,049	696

(i) Funds held in trust, relates to funds received as part of a capital raising. These funds were held in trust pending the issue of shares that formed part of the capital raising completed in July 2010.

Note 8: Provisions

	Consolidated	
	30-Jun-10	31-Dec-09
	\$' 000	\$' 000
Provision for leave entitlements	76	79
Provision for payroll tax (i)	1,110	-
	1,186	79

(i) Relates to a provision for payroll tax for the year ended 30 June 2010 of \$44,174 and a liability for prior years of \$1,065,900, previously disclosed as a contingent liability, refer to note 10.

Note 9: Issued capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends

	30-Jun-10		31-Dec-09	
	No		No	
	'000	\$'000	'000	\$'0000
Balance brought forward	226,826	103,685	218,509	98,519
Issue of ordinary shares through capital raisings	-	-	4,000	903
Issue of ordinary shares for equity based payments	-	-	388	97
Issue of ordinary shares as a result of exercise of options	5,433	5,758	3,929	4,166
Cost related to capital raisings	-	(100)	-	-
Balance at end of period	232,259	109,343	226,826	103,685



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2010

Note 10: Contingent liabilities

	Consolidated	
	30-Jun-10 \$' 000	31-Dec-09 \$' 000
Payroll tax (i)	250	1,500
Legal related costs (ii)	950	400
Balance at end of period	1,200	1,900

- (i) The Company has previously disclosed a contingent liability for payroll tax of \$1,500,000. This contingent liability related to a potential payroll tax liability on options issued to directors in 2007. Based on the pending outcome of a review of this matter by the West Australian Office of State Revenue ("OSR"), the Company has considered it appropriate to record \$1,065,900 as a provision for payroll tax payable. The Company is continuing to recognise a further \$250,000 as a contingent liability, as there is still a degree of uncertainty as to the final liability. At this stage it is expected that any final actual liability will be less than the previously disclosed contingent liability of \$1,500,000.
- (ii) Costs associated with defending writs served on the Company by Westrip Holdings Limited and Rimbal Pty Ltd. The contingent liability is based on an estimate by directors after obtaining legal opinions.

Note 11: Expenditure commitments

Exploration commitments: The Consolidated Entity has one exploration license for which it has exploration commitments, EL 2010/02 (formerly EL 2005/28) located in southern Greenland. The exploration commitment on EL 2010/02 is approximately AUD\$200,000, for the 12 months ended 31 December 2010. Expenditure made to date in 2010 is sufficient to keep the license in good standing until December 2013.

Note 12: Subsequent events to balance date

The following subsequent events have occurred since the balance date of 30 June 2010:

- The successful placement of 17,647,060 ordinary fully paid shares at \$0.34 per share, to raise a total of \$6,000,000 less associated costs.
- The establishment of a \$15,000,000 line of equity facility with YA Global Investments. This facility will allow Greenland Minerals and Energy Limited to draw down, at the Company's discretion up to \$250,000 in any 10 day trading period, at any time over the next five years.
- On September 9, 2010 the Greenland government announced amendments to the Standard Terms for Exploration Licences in Greenland. These amendments allow, upon application approval, the inclusion of radioactive elements as exploitable minerals for the purpose of thorough evaluation and reporting. The Consolidated Entity has applied for approval in accordance with these new regulations. This is a milestone event for the Consolidated Entity and now provides a clear pathway for the continued development of the Kvanefjeld rare earth and uranium project in cooperation with the Greenland Government and stakeholder groups.

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

Note 13: Dividends

No Dividends have been paid or proposed during the half-year ended 30 June 2010.