



GREENLAND MINERALS AND ENERGY LIMITED

ACN 118 463 004

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2011



Corporate Directory

Directors

Michael Hutchinson	Executive Chairman
Roderick McIlree	Managing Director
Simon Cato	Executive Director
Anthony Ho	Non-executive Director
Jeremy Whybrow	Non-executive Director

Company Secretary

Miles Guy

Registered and head office

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Subiaco WA 6008

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Greenland

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3921 Narsaq, Greenland

Home Stock Exchange

Australian Securities Exchange, Perth
Code: GGG

Auditors

Deloitte Touche Tohmatsu

Share Registry

Advanced Share Registry
15 Stirling Highway
Nedlands WA 6009

Company Website

www.ggg.gl



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Directors' Report

The directors of Greenland Minerals and Energy Limited herewith submit the consolidated financial report of Greenland Minerals and Energy Limited (the Consolidated Group), for the half-year ended 30 June 2011. 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**
Jeremy Sean Whybrow, **Non-executive Director**

Principal Activities

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

Review of Operations

The net loss after providing for income tax amounts to \$6,105,797 compared to \$3,275,269 for the corresponding period last year.

During the half-year the principle focus of the Consolidated Group has been the continued exploration and evaluation of the Consolidated Group's Kvanefjeld project. Following is a summary of these activities.

The Consolidated Group is undertaking mineral exploration and development in southern Greenland, primarily focused on advancing the Kvanefjeld multi-element project (*both light and heavy rare earth elements, uranium, and zinc*) through the feasibility phase and into mine development.

Kvanefjeld is located within the Company's license over the northern Ilimaussaq Intrusive Complex; a unique geological entity that is highly prospective for specialty metals. Mineral resources at Kvanefjeld now stand at **619 Mt**, with new deposits having recently been discovered in the broader project area (see drill intercepts reported in recent company announcements). Kvanefjeld is a highly-accessible resource that outcrops on a broad plateau, with the higher grade portions located close to ground surface. Adjacent deep-water fjords provide shipping access directly to the project area.

An *Interim Report* on the Kvanefjeld pre-feasibility study was released in February 2010, this *Interim Report* indicates the potential for the multi-element resources to sustain a large-scale mining operation for decades (*for more information visit the Company's website at <http://www.ggg.gl>*).

The Company's aim is to be a cost-effective producer of metals of fundamental strategic importance and value to tomorrow's world. Rare earth elements (REEs) are now recognised as being critical to the global manufacturing base of many emerging consumer items and green technologies.

Key developments during the period

- The key technical developments for the Consolidated Group during the June period were the first major technical breakthroughs to result from the work programs, aimed at establishing an increasingly efficient development scenario for the Kvanefjeld project. Significant advances have now been made in the areas of mineral beneficiation, rare earth recoveries, zinc and uranium grades in the mine schedule. These work programs are ongoing, and further developments are anticipated in the coming months.



Directors' Report

- The Consolidated Group commenced the 2011 drill program on the northern Ilimaussaq complex in late May with a focus on resource definition at Zones 2 and 3. Following outstanding drill intercepts from the first holes drilled in 2010, the Consolidated Group is aiming to establish initial JORC-code compliant resource estimates. Each deposit offers the opportunity to substantially increase the overall multi-element resource base beyond that established at Kvanefjeld.
- During the period ongoing Stakeholder engagement programs have continued in order to keep all parties up-to-date on Kvanefjeld's status and future developments. A well-attended open day was held in Qaqortoq in early June. Following a review process by both the Bureau of Minerals and Petroleum ("BMP") and NERI (Denmark's National Environmental Research Institute; advisor to the BMP on environmental sustainability) the 'terms of reference' for both the Environmental impact Assessment ("EIA") and Social Impact Assessment ("SIA") on the Kvanefjeld multi-element project have now been approved.
- June 30th marked the expiry point for all options in the Company, excluding unvested employee performance options that were approved at the Company's annual general meeting held in May, 2011. Of the options set to expire, the vast majority were exercised resulting in a substantial improvement to the Consolidated Group's cash position.
- An acquisition agreement with Westrip Holdings Limited was announced on the 15 August 2011. This provides a pathway for all litigation to be stopped and the Company to move to 100% ownership of the project.

Technical Advances

Since releasing the Interim Pre-Feasibility Report, the Consolidated Group has focused on advancing the process flow-sheet to generate an increasingly efficient and scalable development scenario for Kvanefjeld. This has involved the establishment of a strong metallurgical process development team in-house. Three key areas have been focused on to bring about improvements;

1. ***Effective mineral beneficiation;***
2. ***Enhanced mineral resources; and***
3. ***Improved metal recoveries.***

Mineral Beneficiation

The Consolidated Group has been developing a detailed understanding of the mineralogy of the Kvanefjeld resources. This is an essential step in any specialty metal project. The Consolidated Group's mineralogical program is run through the University of British Columbia. The results provide a solid foundation for beneficiation studies that are now well-advanced. The beneficiation studies are aimed at developing an effective method of concentrating the economic minerals (REE-U minerals) into a small mass fraction. In the base-case flow sheet there was no beneficiation step prior to uranium extraction and only mild beneficiation (to approximately double REE grades in a 40% mass concentrate) prior to the leaching of REEs.

Beneficiation testwork has now identified a method that utilizes froth flotation to concentrate >85% of REEs into <15% of the mass.

This represents a significant development and endorses the Company's firm belief that the Kvanefjeld ores can be successfully beneficiated.

A method to effectively concentrate the economic minerals will allow for significant reductions in the capacity of hydrometallurgical leach circuits, which will ultimately lead to a lower cost, highly efficient mining operation.

Testwork is ongoing; however the results achieved to date provide a clear indication for the opportunity to significantly reduce the capacity of the REE leach circuit while maintaining a high output, further strengthening the projects economics. More advances are anticipated in the coming months, as work programs progress.



Directors' Report

Resources

Advances in mineral resources at Kvanefjeld and our understanding of their geological characteristics have resulted in major improvements to the project. The establishment of a method to domain resources represented an important step in characterizing the ores by common mineralogical and geochemical features, as well as identifying higher-grade zones. 'Inferred' resources that had included high-grade material were infill drilled in 2010 in order to be reclassified as 'indicated' resources. These improvements were incorporated into the latest resource estimate, released in March 2011, which has now allowed for a significantly improved mine schedule. At a given throughput, mine output increases significantly.

Over the first 15 years of mining, the new mine schedule would see an increase in output of 21% for TREO's and 10% for U_3O_8 using the 'base-case' mining parameters.

Whilst this represents a significant increase in mine output, it more importantly confirms an opportunity to reduce the mining rate and downstream processing capacity and cost, whilst maintaining a high rare earth output. The Consolidated group is aiming to develop an operation, which at full capacity will have an annual production of approximately 40,000 tonnes TREO.

By 2015, global rare earth demand is estimated to be in the order of 200,000 tonnes, and demand is predicted to continue to grow significantly beyond this point. Annual growth in demand of just 10% would require an additional 20,000 tonnes of REO production per annum, post 2015. The Kvanefjeld multi-element project is being designed to cost-effectively contribute toward filling the looming rare earth supply void from 2015 and beyond.

Improved Metal Recovery

Improving recoveries is another key point of focus, particularly for REEs. In the 'base-case' flow sheet only 34% of REEs are recovered. Recent testwork has improved the efficiency of REE leaching, resulting in the recovery of 40% of total REEs (as oxides or TREOs). This represents a 17% increase.

The increase does not take into account advances in mineral beneficiation, which are likely to lead to further substantial improvements in the recovery of REEs. Work programs to improve REE recovery continue and include studies to evaluate a number of leach solution chemistries and leach conditions. Testwork on high grade mineral concentrates will soon be commencing.

2011 Drill Program

Within the northern Ilimaussaq Complex, much of the drilling to-date has focussed on Kvanefjeld, where the global resource now features a metal inventory of 6.6Mt of total rare earth oxides (including 0.25 Mts of heavy REOs and 0.5 Mts of yttrium oxide), 350 Mlb's of U_3O_8 , and 3 Blb's of zinc. Already Kvanefjeld ranks as the world's largest resource of rare earths as defined by internationally-recognised reporting codes.

In 2010, regional drilling confirmed the presence of three other significant multi-element deposits within the broader project area (see Figure 1). Resource definition drilling is currently being conducted on these new areas to establish initial JORC-code compliant resource estimates. A first load of drill core has recently been shipped for assay, with results anticipated around the start of Q4 of this year.

It is anticipated that the initial resource estimates on Zone 2 and 3 will increase the overall multi-element resource base substantially. Importantly, the intercepts returned from the 2010 holes (reported earlier this year) provide an indication for the potential of significant tonnage toward the upper end of the grade range that has been established at Kvanefjeld. Refer 24 August announcement for an update on results.



Directors' Report

Stakeholder engagement and Approval of 'Terms of Reference' for Environmental and Social Impact Assessments on the Kvanefjeld Project

Critical components of a definitive (bankable) feasibility study in Greenland are the environmental and social impact assessments (EIA and SIA). The guidelines for these studies are established by the BMP. Prior to the commencement of the studies a comprehensive scoping phase is required to plan and time all constituent work programs. This process involves the engagement of both government and community stakeholder groups, in order to establish an agreed 'terms of reference' for the studies.

In early April 2011, as part of the scoping process, the Consolidated Group in conjunction with consultants Gontmij/Carl Bro and Orbicon conducted a series of workshops with all key stakeholder groups in the towns of Narsaq, and Qaqortoq in southern Greenland, as well as in Nuuk, Greenland's capital. These workshops aimed to provide a comprehensive overview of the project and establish stakeholder input to incorporate into the 'terms of reference' for both the EIA and SIA.

In February this year public meetings were held in the southern Greenland towns of Narsaq, Qaqortoq and Nanortalik to advise the general public of the process to scope the terms of reference for the EIA and SIA. Following this in, early April a series of public meetings and stakeholder workshops were held in Greenland's capital, Nuuk, along with Narsaq and Qaqortoq; the main two towns of southern Greenland that are in close proximity to the Kvanefjeld project area. These events were followed by an Open Day in Qaqortoq, and public meetings in Narsaq and Nanortalik in early June. The June meetings provided the opportunity for the Company to provide an overview to the public on the outcomes of the stakeholder workshops, and the preferred development scenario options to be evaluated.

The workshops held in Nuuk in June were attended by representatives from a range of government departments including Finance; Health; Social Affairs; Fishing, Hunting and Agriculture; Business and Workforce; Internal Affairs, Nature and the Environment; Culture Education and Science; the National Museum; Institute of Natural Resources; and the National Association of municipalities. The Nuuk workshops were also attended by representatives from the Employees and Employers Unions, and the Fisherman and Hunters Association.

Following a review process by both the BMP and NERI (Denmark's National Environmental Research Institute; advisor to the BMP on environmental sustainability) the '*terms of reference*' for both the EIA and SIA on the Kvanefjeld multi-element project have now been approved.

All work programs relating to the EIA and SIA will now proceed. Stakeholder engagement will continue throughout the duration of the studies in establishing an appropriate development scenario.





Directors' Report

Table 1. Statement of Identified Mineral Resources, Kvanefjeld Multi-Element Project, March 2011.

Cut-off (U ₃ O ₈ ppm) ¹	Multi-Element Resources, Classification, Tonnage and Grade									Contained Metal				
	Classification	M tonnes Mt	TREO ² ppm	U ₃ O ₈ ppm	LREO ppm	HREO ppm	REO ppm	Y ₂ O ₃ ppm	Zn ppm	TREO Mt	HREO Mt	Y ₂ O ₃ Mt	U ₃ O ₈ M lbs	Zn Mt
150	Indicated	437	10929	274	9626	402	10029	900	2212	4.77	0.18	0.39	263	0.97
150	Inferred	182	9763	216	8630	356	8986	776	2134	1.78	0.06	0.14	86	0.39
150	Grand Total	619	10585	257	9333	389	9721	864	2189	6.55	0.24	0.53	350	1.36
200	Indicated	291	11849	325	10452	419	10871	978	2343	3.45	0.12	0.28	208	0.68
200	Inferred	79	11086	275	9932	343	10275	811	2478	0.88	0.03	0.06	48	0.20
200	Grand Total	370	11686	314	10341	403	10743	942	2372	4.32	0.15	0.35	256	0.88
250	Indicated	231	12312	352	10950	443	11281	1032	2363	2.84	0.10	0.24	178	0.55
250	Inferred	41	11251	324	10929	366	10426	825	2598	0.46	0.02	0.03	29	0.11
250	Grand Total	272	12152	347	10947	431	11152	1001	2398	3.30	0.12	0.27	208	0.65
300	Indicated	177	13013	374	11437	469	11906	1107	2414	2.30	0.08	0.20	146	0.43
300	Inferred	24	13120	362	11763	396	12158	962	2671	0.31	0.01	0.02	19	0.06
300	Grand Total	200	13025	373	11475	460	11935	1090	2444	2.61	0.09	0.22	164	0.49
350	Indicated	111	13735	404	12040	503	12543	1192	2487	1.52	0.06	0.13	98	0.27
350	Inferred	12	13729	403	12239	436	12675	1054	2826	0.16	0.01	0.01	10	0.03
350	Grand Total	122	13735	404	12059	497	12556	1179	2519	1.68	0.06	0.14	108	0.31

¹There is greater coverage of assays for uranium than other elements owing to historic spectral assays. U₃O₈ has therefore been used to define the cutoff grades to maximise the confidence in the resource calculations.

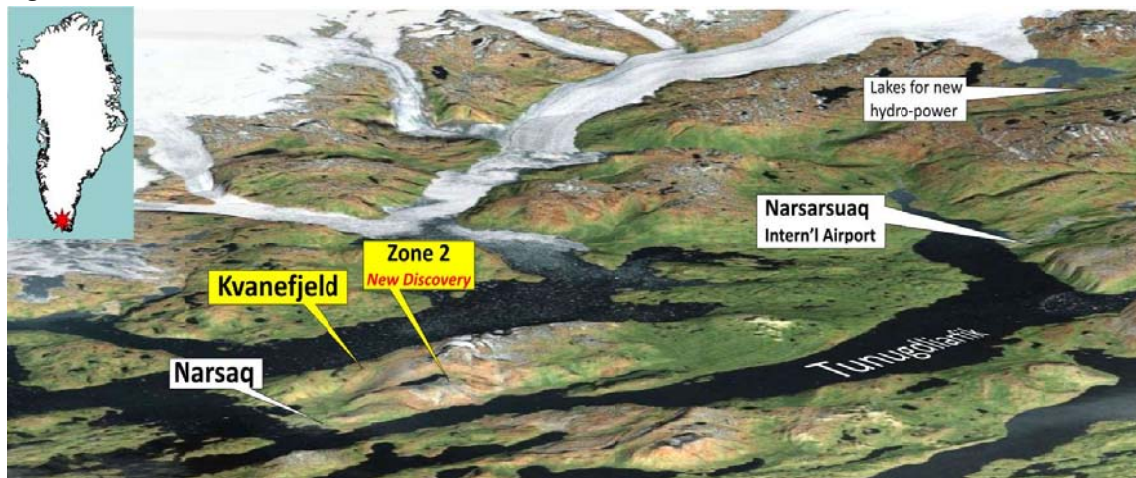
²Total Rare Earth Oxide (TREO) refers to the rare earth elements in the lanthanide series plus yttrium.

Note: Figures quoted may not sum due to rounding.



Directors' Report

Figure 1



View over the broader geography of GMEL's multi-element project on the northern Ilimaussaq Complex located in southern Greenland. The fjords form a large-scale natural harbor system that is open to the north Atlantic shipping lanes all year round, and provide easy access to the project area. The distance from Narsaq to Narsarsuaq is approximately 45 km.

The information in this report that relates to exploration results, geological interpretations, appropriateness of cut-off grades, and reasonable expectation of potential viability of quoted rare earth element, uranium, and zinc resources is based on information compiled by Jeremy Whybrow. Mr Whybrow is a director of the Company and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Whybrow has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Whybrow consents to the reporting of this information in the form and context in which it appears.

The geological model and geostatistical estimation for the Kvanefjeld deposit were prepared by Robin Simpson of SRK Consulting. Mr Simpson is a Member of the Australian Institute of Geoscientists (AIG), and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Simpson consents to the reporting of information relating to the geological model and geostatistical estimation in the form and context in which it appears.



Directors' Report

Rounding off of amounts

The Consolidated Group is a consolidated group 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.

Auditor's Independence Declaration

The Auditor's independence declaration is included on page 8 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*.

Roderick McIlree
Managing Director

Date 13/09/2011

The Board of Directors
Greenland Minerals and Energy Limited
Unit 6, 100 Railway Road
Subiaco WA 6008

13 September 2011

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.

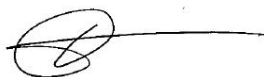
As lead audit partner for the review of the financial statements of Greenland Minerals and Energy Limited for the half year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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 2011, 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 11 to 20.

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 2011 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Greenland Minerals and Energy Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 2011 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



Leanne Karamfiles

Partner

Chartered Accountants

Perth, 13 September 2011



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 Group.

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

Roderick McIlree
Managing Director

Perth, 13/09/2011



Condensed Consolidated Statement of Comprehensive Income
For the half-year ended 30 June 2011

	Consolidated	
	30-Jun-11	30-Jun-10
	\$' 000	\$' 000
Revenue from continuing operations	377	278
Other income	-	360
Expenditure		
Directors benefits	(1,398)	(464)
Employee expenses	(1,628)	(295)
Audit and accounting fees	(203)	(59)
Changes in fair value of held for trading assets	(206)	-
Consultant expense	(395)	(173)
Depreciation	(85)	(78)
Legal fees	(904)	(359)
Occupancy expenses	(405)	(179)
Payroll tax	(21)	(1,110)
Travel expenses	(587)	(352)
Other expenses	(651)	(844)
Loss before tax	(6,106)	(3,275)
Income tax expense	-	-
Loss for period	(6,106)	(3,275)
Other comprehensive income		
Exchange difference arising on translation of foreign operations	(6,915)	(851)
Loss on available-for-sale investments taken to equity	-	(151)
Income tax relating to components of comprehensive income	-	-
Total other comprehensive income	(6,915)	(1,002)
Total comprehensive income for the period	(13,021)	(4,277)
Loss attributable to:		
Owners of the parent	(5,507)	(3,091)
Non-controlling interest	(599)	(184)
	(6,106)	(3,275)
Total comprehensive income attributable to:		
Owners of the parent	(9,724)	(4,093)
Non-controlling interest	(3,297)	(184)
	(13,021)	(4,277)
Basic loss per share – cents per share	1.9	1.3
Diluted loss per share – cents per share	1.9	1.3

The accompanying notes from part of this financial report on pages 16 to 20.



Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Note	Consolidated	
		30-Jun-11 \$' 000	31-Dec-2010 \$' 000
Current Assets			
Cash and cash equivalents	3	22,763	11,587
Trade and other receivables		380	196
Other assets	4	1,183	1,364
Total Current Assets		24,326	13,147
Non-Current Assets			
Financial Assets		12	-
Property, plant and equipment		1,877	582
Capitalised exploration and evaluation expenditure	5	41,969	42,149
Total Non-Current Assets		43,858	42,731
Total Assets		68,184	55,878
Current Liabilities			
Trade and other payables	6	2,683	1,476
Provisions	7	267	1,622
Total Current Liabilities		2,950	3,098
Total Liabilities		2,950	3,098
Net Assets		65,234	52,780
Equity			
Issued Capital	8	278,818	153,754
Reserves		13,595	117,401
Accumulated Losses		(222,583)	(217,076)
Equity attributable to equity holders of the parent		69,830	54,079
Non-controlling interest		(4,596)	(1,299)
Total Equity		65,234	52,780

The accompanying notes from part of this financial report on pages 16 to 20.



Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2011

	Share capital \$' 000	Option reserve \$' 000	Rights 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 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 income for the period	-	-		(151)	(851)	(3,091)	(4,093)	(184)	(4,277)
Issue of shares from 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
Balance at 1 Jan 2011	153,754	118,157		-	(756)	(217,076)	54,079	(1,299)	52,780
Net loss for the period	-	-	-	-	-	(5,507)	(5,507)	(599)	(6,106)
Other Comprehensive income	-	-	-	-	(4,217)	-	(4,217)	(2,698)	(6,915)
Total comprehensive income for the period	-	-	-	-	(4,217)	(5,507)	(9,724)	(3,297)	(13,021)
Issue of shares from option exercise	125,432	(101,049)	-	-	-	-	24,383	-	24,383
Recognition of share based payments	-	1,155	305	-	-	-	1,460	-	1,460
Share issue costs	(368)	-	-	-	-	-	(368)	-	(368)
Balance at 30 June 2011	278,818	18,263	305	-	(4,973)	(222,583)	69,830	(4,596)	65,234

The accompanying notes from part of this financial report on pages 16 to 20.



Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2011

	Consolidated	
	30-Jun-11 \$' 000	30-Jun-10 \$' 000
Cash flows from operating activities		
Receipts from customers	66	129
Payments to suppliers and employees	(5,871)	(2,481)
Net cash used in operating activities	(5,805)	(2,352)
Cash flows from investing activities		
Interest received	300	185
Proceeds from advances to other parties	96	1,000
Payments for property, plant and equipment	(1,391)	(88)
Proceeds from sale of property, plant and equipment	10	-
Payments for exploration and development	(7,525)	(3,506)
Payments for available for sale assets	(12)	-
Proceeds from sale of held for trading assets	596	(217)
Payments for held for trading assets	(250)	-
Net cash used in investing activities	(8,176)	(2,626)
Cash flows from financing activities		
Proceeds from issue of shares /options	24,382	1,087
Funds received pending share issue	1,143	-
Share issue costs	(368)	(100)
Net cash from financing activities	25,157	987
Net increase / (decrease) in cash and equivalents	11,176	(3,991)
Cash and equivalents at the beginning of the financial period	11,587	7,614
Cash and equivalents at the end of the financial period	22,763	3,623

The accompanying notes from part of this financial report on pages 16 to 20.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2011

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 Group 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 year ended 31 December 2010, 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 Group 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 or after 1 January 2011. The adoption of these new and revised standards and interpretations has not resulted in any changes to the Consolidated Group'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 2011

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 Group undertakes mineral exploration and evaluation in Greenland, one operating segment is identified, which is unchanged from that identified at 31 December 2010.

Note 3: Cash and cash equivalents

	Consolidated	
	30-Jun-11	31-Dec-10
	\$' 000	\$' 000
Cash on hand	225	744
Cash at bank and on deposit	22,538	10,843
	22,763	11,587

Note 4: Other Assets

	Consolidated	
	30-Jun-11	31-Dec-10
	\$' 000	\$' 000
Deposit bonds	11	159
Prepayments	1,118	365
Funds held in trust for un-issued shares (i)	-	146
Investments carried at fair value:		
Shares/options in listed companies (ii)	54	694
	1,183	1,364

- (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) Investments in listed company shares and options are carried at fair value. Fair value is based on the closing price on the Australian Securities Exchange, of the shares and or options held at the end of the reporting date. The Consolidated Group previously held listed shares with attached options. During the current period the listed shares were sold with the attached options remaining on hand at 30 June 2011.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2011

Note 5: Capitalised exploration and evaluation expenditure

	Consolidated	
	30-Jun-11 \$' 000	31-Dec-10 \$' 000
Balance at beginning of period	42,149	37,129
Exploration and/or evaluation phase in current period:		
Capitalised expenses (i)	6,630	6,482
	48,779	43,611
Less:		
Effects of movements in exchange rates (ii)	(6,810)	(1,462)
Balance at end of period	41,969	42,179

- (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 Company holds a 61% interest in the joint venture and Greenland Minerals and Energy (Trading) A/S, which holds the EL 2010/02, the exploration license covering the Kvanefjeld Project, with Westrip holding the balance. Under the joint venture agreement, from 17 August 2009 both joint venture parties are required to contribute to the exploration expenditure, in proportion to their respective interests in the joint venture. To date Greenland Minerals Energy Limited has continued to fully fund the exploration expenditure and the Company has not made a claim against Westrip Holdings Limited for its share of the exploration expenditure post 17 August 2009. Post period end the Company entered into an agreement to acquire Westrip's interest in the project, refer to Note 10 for further information.
- (ii) During the period the Company received revised legal advice indicating that legal and beneficial ownership of the Kvanefjeld Project resided with Greenland Minerals and Energy (Trading) A/S, the Greenlandic subsidiary and not the Company. As a result all capitalised exploration and evaluation expenditure has been recognised in the Greenlandic subsidiary and at reporting date has been translated at the closing Australian dollar/Danish kroner exchange rate with the movement being recognised in the foreign currency translation reserve.
- (iii) During the period the Company directly acquired a 100% interest in Greenland exploration licenses EL 2011/23, 2011/26 and 2011/. To date minimal expenditure has been expended in relation to these additional licenses.
- (iv) The recoverability of the Consolidated Group'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 Group 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.
- (v) The Greenland Government currently has a zero tolerance approach to the exploration and exploitation of uranium. In September 2010, the Greenland government announced an amendment to the *Standard Terms for Exploration Licenses* in Greenland. This amendment allowed, upon application, the inclusion of radioactive elements as exploitable minerals, for the purpose of thorough evaluation and reporting. The Consolidated Group has received approval from the Greenland government to fully evaluate the Kvanefjeld multi element project, inclusive of radioactive elements. This will enable the inclusion of these elements in the planned definitive feasibility studies.
- The Consolidated Group and the Greenland Government are currently in consultations with stakeholders, regarding the social and environmental aspects of the project and potential changes to the Greenland Government's uranium policy. Based on this and the continued approval of the Consolidated Group's exploration program, the Consolidated Group has a positive outlook regarding its ability to successfully develop the project, as a multi element project including uranium. The Consolidated Group will continue to explore and evaluate the project, with the view of moving to development, subject to approval to mine rare earth elements with uranium. This will be done in a manner that is in accord with both Greenland Government and local community expectations.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2011

Note 6: Trade and other payables

	Consolidated	
	30-Jun-11	31-Dec-10
	\$' 000	\$' 000
Accrued expenses	30	287
Trade creditors	983	969
Sundry creditors	527	74
Funds held in trust (i)	1,143	146
	<u>2,683</u>	<u>1,476</u>

- (i) Funds held in trust, relates to funds received for the exercise of options and a capital raising in the prior period. These funds were held in trust pending the issue of shares completed post the balance date of the respective reports.

Note 7: Provisions

	Consolidated	
	30-Jun-11	31-Dec-10
	\$' 000	\$' 000
Provision for leave entitlements	267	201
Provision for payroll tax	-	1,421
	<u>267</u>	<u>1,622</u>

Note 8: Issued capital

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

	30-Jun-11		31-Dec-10	
	No	\$' 000	No	\$' 000
	' 000		' 000	
Balance brought forward	288,672	153,754	226,826	103,685
Issue of ordinary shares through capital raisings	-	-	17,647	6,000
Issue of ordinary shares for equity based payments	-	-	800	272
Issue of ordinary shares as a result of exercised options:				
\$0.10 exercise price options	-	-	750	266
\$0.20 exercise price options	108,462	122,588	42,349	44,030
\$0.50 exercise price options	3,200	1,621	300	199
\$1.00 exercise price options	1,090	1,223	-	-
Less costs associated with share issues	-	(368)	-	(698)
Balance at end of financial period	<u>401,424</u>	<u>278,818</u>	<u>288,672</u>	<u>153,754</u>



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2011

Note 9: Expenditure commitments

Exploration commitments: The Consolidated Group's holds four exploration licenses for which it has exploration commitments. The Consolidated Group's primary license which covers the Kvanefjeld Project, is EL 2010/02 located in southern Greenland. The exploration commitment on EL 2010/02 is approximately A\$330,000, for the year ended 31 December 2011. Expenditure made to date in 2011 will be sufficient to keep the license in good standing until December 2013.

Exploration licenses EL 2011/23, 2011/26 and 2011/27 all have minimal expenditure commitments.

Note 10: Subsequent events to balance date

On August 15 2011, the Company ("GMEL") announced to the Australian Securities Exchange that an agreement had been reached for the acquisition of the balance of the 39% interest not currently held by the Consolidated Group in the Kvanefjeld project.

In summary the agreement provides for, subject to shareholder and regulatory approval:

1. GMEL to acquire the outstanding 39% of Greenland Minerals and Energy (Trading) A/S (GME) it does not own and thereby move to 100% ownership along with the cancelation of the Joint venture agreement for the consideration outlined in point 2 below.
2. Pursuant to the agreement GMEL will pay the sum of A\$39,000,000, to issue 7,825,000 shares, and 5,000,000 options with an exercise price of \$1.50, expiring two years from the date of issuance, in a predetermined proportion to some shareholders of the joint venture partner Westrip Holdings Limited.
3. GMEL has also entered into an agreement with Rimbal Pty Limited to have off-take rights regarding lujavrite from the Greenlandic license 2010/24 immediately south of the northern Ilimaussaq license. Lujavrite is the rock-type that is host to REE-U-Zn mineralization at Kvanefjeld.
4. Dismissal of all legal proceedings with no orders as to costs.
5. Dismissal of the UK Proceedings and the lifting of the injunction granted thereunder also with no order as to costs.

Note 11: Dividends

No Dividends have been paid or proposed during the half-year ended 30 June 2011.