

GREENLAND MINERALS AND ENERGY LIMITED
ABN 85 118 463 004

**NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT**

**For the General Meeting of Shareholders to be held
on Monday, 23 January 2012 at 11.00am (Western Standard Time) at CWA House, 1174
Hay Street, West Perth, Western Australia**

This is an important document. Please read it carefully.

***If you are unable to attend the Meeting, please complete the form of proxy enclosed
and return it in accordance with the instructions set out on that form.***

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

The General Meeting of Greenland Minerals and Energy Limited will be held at:

**CWA House
1174 Hay Street
WEST PERTH WA 6005**

**Commencing
at 11.00am (Western Standard Time)
on 23 January 2012**

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 11.00am (Western Standard Time).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- send the proxy form by hand to the Company's office at Unit 6, 100 Railway Road, Subiaco, Western Australia, 6008;
- send the proxy form by post to PO Box 2006, Subiaco, Western Australia, 6904; or
- send the proxy form by facsimile to facsimile number +61 8 9382 2788.

so that it is received not later than 2.00pm (Western Standard Time) on 20 January 2012.

Your proxy form is enclosed.

GREENLAND MINERALS AND ENERGY LIMITED
ABN 85 118 463 004

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the Shareholders of Greenland Minerals and Energy Limited will be held at CWA House, 1174 Hay Street, West Perth, Western Australia on 23 January 2012 at 11.00am (Western Standard Time) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

GENERAL BUSINESS

Resolution 1 - Approval to acquire Royalty

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Resolution 2 being passed, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to acquire a royalty in accordance with the terms of the Restructuring of Royalty Deed and on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Shareholder approval is sought under ASX Listing Rule 10.1 to allow the Company to restructure royalty arrangements with Hackleton whereby the Company will obtain a 3% Royalty Interest and issue Shares to Hackleton. Hackleton is an Associate of a substantial shareholder of the Company.

BDO Securities (NSW-VIC) Pty Ltd has prepared an Independent Expert Report which comments on whether the transaction the subject of Resolutions 1 and 2 is fair and reasonable to those Shareholders that are not associated with Hackleton. The Independent Expert Report concludes that the transaction the subject of these Resolutions is fair and reasonable to the non-associated Shareholders. Shareholders are urged to carefully consider the Independent Expert Report.

The Company will disregard any votes cast on this Resolution by Hackleton Investments Limited and an Associate of Hackleton Investments Limited. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Approval to issue Shares to Hackleton Investments Limited

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Resolution 1 being passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 17,500,000 fully paid ordinary shares to Hackleton Investments Limited or its nominees in accordance with the Restructuring of Royalty Deed and on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The consideration for the acquisition of the 3% Royalty Interest (the subject of Resolution 1) is the issue of 17,500,000 Shares. Shareholder approval is sought under ASX Listing Rule 10.11 so that the Company may issue the 17,500,000 Shares to a person whose relationship with the Company (as an Associate of a substantial shareholder) is such that, in the ASX's opinion, approval should be obtained.

BDO Securities (NSW-VIC) Pty Ltd has prepared an Independent Expert Report which comments on whether the transaction the subject of Resolutions 1 and 2 is fair and reasonable to those Shareholders that are not associated with Hackleton. The Independent Expert Report concludes that the transaction the subject of these Resolutions is fair and reasonable to the non-associated Shareholders. Shareholders are urged to carefully consider the Independent Expert Report.

The Company will disregard any votes cast on this Resolution the person receiving the securities and an Associate of that person. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 21 January 2012 at 11.00am (Western Standard Time).
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

By order of the Board



Simon Cato
Director
Dated: 16 December 2011

GREENLAND MINERALS AND ENERGY LIMITED
ABN 85 118 463 004

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

GENERAL BUSINESS

1. BACKGROUND TO TRANSACTION TO ACQUIRE ROYALTY AND ISSUE SHARES

1.1 Royalty Restructure Transaction

As announced to the ASX on 2 December 2011, the Company entered into the Royalty Restructure Transaction whereby the Company will acquire a 3% Royalty Interest (3% of the net profits of GMS) for a purchase consideration of 17,500,000 Shares to be issued to Hackleton.

GMS is a Greenland company currently 61% owned by the Company via a wholly owned subsidiary, Chahood. GMS holds exploration licence 2010/02 over the northern Ilimaussaq Intrusive Complex in Greenland that contains the Kvanefjeld Rare Earth Element-Uranium-Zinc deposit and nearby satellite deposits, namely Zone 2, Zone 3 and Steenstrupfjeld ("**Kvanefjeld Project**"). GMS was established as a result of a joint venture with Westrip which currently holds the remaining 39% equity interest in GMS.

Hackleton and Exchange Minerals FZE currently have the benefit of a 4% royalty and a 1% royalty respectively upon the net profits of GMS. As part of the Westrip Deed of Settlement announced on 15 August 2011, the JV Agreement between the Company, Chahood and Westrip will be terminated. At settlement under the Westrip Deed of Settlement the Company will acquire Westrip's 39% equity interest in GMS. Thereby, the Company will 100% own GMS.

Following settlement under the Westrip Deed of Settlement, the termination of the JV Agreement and the Company acquiring 100% of GMS, GMS will grant Exchange Minerals a 1% net profit royalty and Hackleton a 4% net profit royalty in replacement of the existing net profit royalties.

The Company and Hackleton have then agreed the following under the Restructuring of Royalty Deed:

- (a) the Hackleton royalty will be reduced from a 4% net profit royalty to a 1% net profit royalty (decreasing by a 3% Royalty Interest) and the Company will issue 17,500,000 Shares to Hackleton in consideration of this reduction; and
- (b) GMS will grant the Company a 3% Royalty Interest.

The effect of the transaction is that the Company in consideration of the issue of 17,500,000 Shares will acquire a 3% Royalty Interest.

At the conclusion of the Royalty Restructure Transaction, GMS will have issued 3 royalties on net profits totalling 5%, with these royalties being in favour of Exchange Minerals as to 1%, Hackleton as to 1% and the Company as to 3%.

1.2 Royalty Restructure Transaction Documents

The Royalty Restructure Transaction Documents consist of the Exchange Royalty Deed, the Hackleton Royalty Deed, the Restructuring of Royalty Deed and the GGG Royalty Deed. The key aspects of these agreements are summarised below.

(a) Exchange Royalty Deed

By the Exchange Royalty Deed, GMS in replacement of the existing 1% net profit royalty in favour of Exchange Minerals FZE grants Exchange Minerals (at the request of Exchange Minerals FZE) a 1% net profit royalty. The conditions that must be satisfied before the deed has effect are settlement occurring under the Westrip Deed of Settlement, the JV Agreement being terminated and the Company owning 100% of the shares in GMS. These conditions must be satisfied by 30 June 2012 or any other date agreed in writing by the parties.

The Company is a party to the deed as guarantor of the obligations of GMS. There are various obligations on GMS under the deed including an obligation to keep the tenement in good standing and not to dispose of any interest in the tenement unless the assignee has entered into an appropriate deed of covenant.

(b) Hackleton Royalty Deed

By the Hackleton Royalty Deed, GMS in replacement of the existing 4% net profit royalty in favour of Hackleton grants Hackleton a 4% net profit royalty. The conditions that must be satisfied before the deed has effect are settlement occurring under the Westrip Deed of Settlement, the JV Agreement being terminated and the Company owning 100% of the shares in GMS. These conditions must be satisfied by 30 June 2012 or any other date agreed in writing by the parties.

The Company is a party to the deed as guarantor of the obligations of GMS. There are various obligations on GMS under the deed including an obligation to keep the tenement in good standing and not to dispose of any interest in the tenement unless the assignee has entered into an appropriate deed of covenant.

(c) Restructuring of Royalty Deed

By the Restructuring of Royalty Deed the 4% net profit royalty granted in favour of Hackleton as a replacement royalty under the Hackleton Royalty Deed will be reduced to a 1% net profit royalty (decreasing by a 3% Royalty Interest) and in consideration of this, the Company will issue 17,500,000 Shares to Hackleton or its nominees. The reduction in the net profit royalty to Hackleton will be achieved by the parties varying the Hackleton Royalty Deed.

The Restructuring of Royalty Deed further obliges the Company and GMS to enter into the GGG Royalty Deed which has the effect of granting the Company a 3% Royalty Interest.

The Restructuring of Royalty Deed is conditional upon various matters including settlement occurring under the Westrip Deed of Settlement, the JV Agreement being

terminated, the Company owning 100% of the shares in GMS and Shareholder approval being obtained in terms of this Notice.

(d) GGG Royalty Deed

By the GGG Royalty Deed, GMS grants the Company a 3% net profit royalty. The conditions that must be satisfied before the deed has effect are settlement occurring under the Westrip Deed of Settlement, the JV Agreement being terminated and the Company owning 100% of the shares in GMS. These conditions must be satisfied by 30 June 2012 or any other date agreed in writing by the parties.

There are various obligations on GMS under the deed including an obligation to keep the tenement in good standing and not to dispose of any interest in the tenement unless the assignee has entered into an appropriate deed of covenant.

2. RESOLUTION 1 – APPROVAL TO ACQUIRE ROYALTY

2.1 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that shareholder approval is required before a listed company (including a subsidiary) may acquire or dispose of a substantial asset from various persons in a position of influence. This includes acquiring a substantial asset from an Associate of a substantial holder if the substantial holder and their Associates have a relevant interest in at least 10% of the total votes attached to voting securities.

An asset is substantial for the purposes of ASX Listing Rule 10.1 if its value or the value of the consideration for it is 5% or more of the equity interests of the listed company as set out in the latest accounts given to the ASX. For the Company, 5% of the equity interests of the latest accounts of 30 June 2011 is \$3,261,700 (that is, 5% of \$65,234,000).

ASX Listing Rule 10.1 is applicable as:

- (a) The effect of the Restructuring of Royalty Deed is the Company will obtain a 3% Royalty Interest.
- (b) The consideration payable by the Company is 17,500,000 Shares. By way of illustration only of the value of the consideration, based on the closing price of Shares on the ASX on 30 November 2011 (the last day of trading prior to the announcement of the Royalty Restructure Transaction) of 58.5 cents, the value of the consideration would be \$10,237,500.
- (c) The 3% Royalty Interest constitutes a "substantial" asset as the value of the consideration represents 5% or more of the equity interests of the Company in its 30 June 2011 accounts.
- (d) The substantial asset is a 3% Royalty Interest. The Company obtains this interest by reason of the restructuring of royalty arrangements with Hackleton. Under these arrangements the Royalty Interest of Hackleton will reduce from 4% to 1%. Hackleton does not have a relevant interest in Shares in the Company. However, Hackleton as a wholly owned subsidiary of GCM Nominees is an Associate of GCM Nominees. GCM Nominees holds 35,000,000 Shares and in the 6 months before the transaction this represented a relevant interest in greater than 10% of the Company. GCM Nominees is therefore taken to be a substantial holder for the purposes of Listing Rule 10.1.

Based on the current number of Shares issued of 410,407,582, the 35,000,000 Shares held by GCM Nominees represents a relevant interest in Shares of 8.53%. GCM Nominees ceased having a relevant interest in 10% or more of the Shares in the Company on 3 June 2011 when the Share capital of the Company increased beyond 350,000,000 Shares.

The 17,500,000 Shares to be issued to Hackleton will be held in escrow for a period of 12 months from the date of issue or such other period determined by ASX in accordance with the ASX Listing Rules.

2.2 Financial effect of the acquisition

An unaudited consolidated statement of financial position of the Company as at 31 October 2011 together with an unaudited pro-forma consolidated statement of financial position is set out at Annexure 1.

2.3 Independent Expert's Report

ASX Listing Rule 10.10.2 requires that the Company provide an independent expert's report addressing whether, the transaction the subject of shareholder approval under ASX Listing Rule 10.1, is fair and reasonable to non-associated Shareholders. The Independent Expert's Report prepared by the Independent Expert and annexed as Annexure 2 to the Explanatory Statement is provided to Shareholders for this purpose.

The Independent Expert has concluded that the transaction for the acquisition of the Royalty Interest by the Company the subject of Resolutions 1 and 2 is fair and reasonable to the non-associated Shareholders of the Company.

2.4 Directors' Interests and Recommendations

The Directors are unanimously of the opinion that the acquisition of the 3% Royalty Interest is in the best interests of the Company and its Shareholders and accordingly recommend that Shareholders vote in favour of Resolutions 1 and 2. The advantages of the acquisition of the 3% Royalty Interest are set out in the Independent Expert's Report and include access to additional income stream and greater control over subsidiary.

One of the disadvantages of the acquisition of the 3% Royalty Interest is Hackleton and its Associates will increase their voting power in the Company and other Shareholders will have their shareholding diluted.

None of the Directors have any interest in the transaction other than in their capacity as a Shareholder of the Company.

Hackleton as the party transacting with the Company will be excluded from voting upon Resolutions 1 and 2. In addition, any Associates of Hackleton including GCM Nominees will also be excluding from voting on Resolutions 1 and 2.

3. RESOLUTION 2 – APPROVAL TO ISSUE SHARES TO HACKLETON INVESTMENTS LIMITED

3.1 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a company to obtain shareholder approval prior to the issue of securities to a related party (ASX Listing Rule 10.11.1) or a person whose relationship with the company or a related party is, in ASX's opinion, such that approval should be obtained (ASX

Listing Rule 10.11.2). The ASX has determined that Shareholder approval should be obtained under ASX Listing Rule 10.11.2 prior to the Company issuing the Shares to Hackleton as Hackleton (as an Associate of a substantial holder of the Company) is a party attracting Listing Rule 10.1.

If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1 and the issue of the Shares will not be included in the 15% calculation.

In accordance with ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to this Resolution:

- (a) The Shares will be issued to Hackleton or its nominees.
- (b) The maximum number of securities the Company will issue is 17,500,000 Shares.
- (c) Under the terms of the Restructuring of Royalty Deed the 17,500,000 Shares will be issued once various conditions precedent have been satisfied including settlement under the Westrip Deed of Settlement. The parties have until 15 June 2012 to satisfy this condition precedent. The issue of the 17,500,000 Shares to Hackleton will occur within 10 business days after this time (ie 30 June 2012).

Shareholder approval for the purposes of Listing Rule 10.13.3 is only valid for 1 month from the date of this Meeting. As 30 June 2012 is more than 1 month after the date of the Meeting, the Company will apply to ASX for a waiver of Listing Rule 10.13.3 to allow the Company to issue the Shares at any time until 30 June 2012. If the waiver is not granted, the Company will seek Shareholder approval at a later time to issue the Shares unless it is able to issue the Shares within 1 month from the date of the Meeting.

- (d) As stated above, approval is required under ASX Listing Rule 10.11.2 as Hackleton (as an Associate of a substantial holder, GCM Nominees) is a party attracting Listing Rule 10.1.
- (e) The Shares are issued for nil cash consideration under the terms of the Restructuring of Royalty Deed. The Shares issued will be fully paid ordinary shares in the Company and will rank equally with the Company's current issued Shares.
- (f) No funds will be raised by the issue of the Shares.

GREENLAND MINERALS AND ENERGY LIMITED
ABN 85 118 463 004

GLOSSARY

In the Notice and this Explanatory Statement the following expressions have the following meanings:

"Associate" has the meaning given to it by the Division 2 of Part 1.2 of the Corporations Act.

"ASX" means the ASX Limited (ACN 008 624 691).

"ASX Listing Rules" or **"Listing Rules"** means the Listing Rules of the ASX.

"Board" means the Board of Directors of the Company.

"Chahood" means Chahood Capital Limited, a wholly owned subsidiary of the Company.

"Company" or **"GGG"** means Greenland Minerals and Energy Limited (ABN 85 118 463 004).

"Corporations Act" means the Corporations Act 2001 (Cth).

"Directors" mean the directors of the Company from time to time.

"Exchange Minerals" means Exchange Minerals Limited, a company incorporated in the British Virgin Island.

"Exchange Royalty Deed" means the royalty deed between Exchange Minerals, the Company and GMS dated 2 December 2011.

"Explanatory Statement" means this Explanatory Statement.

"GCM Nominees" means GCM Nominees Limited, a company incorporated in the Isle of Man.

"GGG Royalty Deed" means the royalty deed between the Company and GMS dated 2 December 2011.

"GMS" means Greenland Minerals and Energy (Trading) A/S, a company incorporated in Greenland.

"Hackleton" means Hackleton Investments Limited, a company registered in Nevis, British Virgin Islands.

"Hackleton Royalty Deed" means the royalty deed between Hackleton, the Company and GMS dated 2 December 2011.

"Independent Expert" means BDO Securities (NSW-VIC) Pty Ltd.

"Independent Expert's Report" means the Independent Expert's report prepared by the Independent Expert and which constitutes Annexure 2 to this Notice.

"JV Agreement" means the joint venture agreement dated 14 March 2007 as amended and to which the Company, Chahood and Westrip are bound.

"Kvanefjeld Project" means the multi-element deposit (rare earth elements, uranium, zinc) located over the northern Ilimaussaq complex in Greenland.

"Meeting" means the meeting convened by this Notice.

"Notice" means the notice of meeting that accompanies this Explanatory Statement.

"Resolution" means a resolution referred to in the Notice.

"Restructuring of Royalty Deed" means the restructuring of royalty deed between Hackleton, the Company and GMS dated 2 December 2011.

"Royalty Interest" means a net profit royalty in GMS.

"Royalty Restructure Transaction" means the transaction under the Royalty Restructure Transaction Documents.

"Royalty Restructure Transaction Documents" means the Exchange Royalty Deed, the Hackleton Royalty Deed, the Restructuring of Royalty Deed and the GGG Royalty Deed.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means a registered holder of Shares in the Company.

"Westrip" means Westrip Holdings Limited, a company incorporated in England and Wales.

"Westrip Deed of Settlement" means the deed of settlement as varied between parties including the Company, GMS and Westrip.

"WST" or **"Western Standard Time"** means Western Standard Time, Perth, Western Australia.

"\$" means Australian dollars unless otherwise stated.

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ANNEXURE 1

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Consolidated	
		Unaudited 31-Oct-11	Unaudited Pro-forma 31-Oct-11
	Note	\$	\$
Current Assets			
Cash and cash equivalents		9,323,592	14,323,592
Trade and other receivables		338,077	338,077
Other assets	1	5,502,549	502,549
Total Current Assets		<u>15,164,218</u>	<u>15,164,218</u>
Non-current Assets			
Financial assets		62,000	62,000
Property Plant and equipment		1,895,362	1,895,362
Capitalised exploration and evaluation expenditure		46,166,443	46,166,443
Total Non-current Assets		<u>48,123,805</u>	<u>48,123,805</u>
Total Assets		<u>63,288,023</u>	<u>63,288,023</u>
Current Liabilities			
trade and other payables		1,073,634	1,073,634
Provisions		331,141	331,141
Total Current Liabilities		<u>1,404,775</u>	<u>1,404,775</u>
Net assets		<u>61,883,248</u>	<u>61,883,248</u>
Equity			
Issued capital	2	281,289,466	337,688,716
Reserves		8,589,033	(27,258,058)
Accumulated losses		(225,148,160)	(248,547,410)
Equity attributable to equity holders of the parent		64,730,339	61,883,248
Non-controlling interest		(2,847,091)	-
Total Equity		<u>61,883,248</u>	<u>61,883,248</u>

Notes

Note 1

Other current assets includes a \$5,000,000 settlement deposit paid that forms part of the settlement consideration to move to 100% ownership of the Kvanefjeld Project. It has been assumed, for the purpose of this pro-forma statement of financial position, the settlement consideration will be fully funded, including the deposit component through the issue of additional shares.

Note 2

The pro-forma adjustments to issued capital include:

- I. The issue of 17,500,000 shares to acquire the 3% Royalty Interest, issued at a price determined by the mid-range independent valuation thereby being 68.57 cents per Share;
- II. The issue of 7,825,000 shares to the minority shareholders of Westrip Holdings Limited, that forms part of the settlement consideration;
- III. The issue of Shares to raise \$39,000,000 being the cash balance payable of the settlement consideration to move to 100% ownership of the Kvanefjeld Project. The number of Shares to be issued to raise \$39,000,000 is yet too determined and will be established by the Share price at the time of issue;
- IV. It is intended that additional Shares will be issued to cover any capital raisings costs and these costs will be recorded against the equity raised.

ANNEXURE 2

INDEPENDENT EXPERT'S REPORT

2 December 2011

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

Dear Sirs

INDEPENDENT EXPERT'S REPORT

Introduction

Greenland Minerals and Energy Limited ("**GGG**" or the "**Company**") has proposed to acquire from Hackleton Investments Limited ("**Hackleton**") a 3% royalty on the net profits of Greenland Minerals and Energy (Trading) A/S ("**GMS**") ("**3% Royalty Interest**") for a purchase consideration of 17,500,000 ordinary shares in GGG ("**Proposed Transaction**"). We note that this report has been issued prior to the announcement of the Proposed Transaction by GGG.

GMS is a Greenlandic company 61%-owned by GGG via a wholly-owned subsidiary, Chahood Capital Limited ("**Chahood**"). GMS holds exploration license 2010/02 over the northern Ilimaussaq Intrusive Complex in Greenland that contains the Kvanefjeld Rare Earth Element-Uranium-Zinc deposit and nearby satellite deposits, namely Zone 2, Zone 3 and Steenstrupfjeld ("**Kvanefjeld Project**" or the "**Project**"). GMS was established as a result of a joint venture with Westrip Holdings Limited ("**Westrip**") which holds the remaining 39% equity interest in GMS.

The joint venture agreement dated 14 March 2007 as amended and to which GGG, Chahood and Westrip are bound ("**JV Agreement**") provides for the payment of a royalty equivalent to 5% of the net profits of GMS ("**JV Royalty**"). The JV Royalty which was originally payable to Westrip was subsequently sold to Hackleton and Exchange Minerals FZE in 2007. The beneficial rights to the JV Royalty are currently held as to 4% to Hackleton and 1% to Exchange Minerals FZE.

Since 2009, there have been several disputes involving GGG, Westrip and Rimbal Pty Ltd ("**Rimbal**") in relation to the joint venture and ownership of EL 2010/02. In 2011, GGG entered into the Deed of Settlement with Westrip and Deed of Settlement with the Westrip Minority Shareholders (collectively, the "**Deeds of Settlement**") with various parties involved in the disputes, which include the proposed acquisition of Westrip's 39% equity interest in GMS ("**Proposed Westrip Transaction**") as part of the terms of settlement. Settlement under the terms of the Deeds of Settlement, including the Proposed Westrip Transaction, has yet to be completed. Upon settlement of the Deed of Settlement with Westrip, GMS will be a wholly-owned subsidiary of GGG and the JV Agreement will be terminated. Further details on the Deeds of Settlement are set out in **Section 3.1** of this report.

On 2 December 2011, the following deeds were entered into by various parties:

- Hackleton Royalty Deed;
- Exchange Minerals Royalty Deed;
- Restructuring of Royalty Deed; and
- GGG Royalty Deed.

Pursuant to the Hackleton Royalty Deed and Exchange Minerals Royalty Deed, GMS grants to Hackleton and Exchange Minerals Limited (being Exchange Minerals FZE's nominee in relation to the Exchange Minerals Royalty as defined hereunder) a royalty on the net profits of GMS as to 4% ("**Hackleton Royalty**") and 1 % ("**Exchange Minerals Royalty**") respectively, in replacement of the beneficial rights to the net profits payable under the JV Royalty (as assigned). The Hackleton Royalty Deed and Exchange Minerals Royalty Deed will have effect upon, inter alia, the termination of the JV Agreement and GGG owning all the shares in GMS. Further details on the Hackleton Royalty Deed and Exchange Minerals Royalty Deed are set out in **Section 3.2** of this report.

The Restructuring of Royalty Deed was entered into by GGG, GMS and Hackleton in relation to the Proposed Transaction ("**Restructuring of Royalty Deed**"). The key terms of the Restructuring of Royalty Deed include the following:

- The Hackleton Royalty Deed is varied so as to reduce the Hackleton Royalty from 4% to 1%;
- GGG and GMS enter into the GGG Royalty Deed in relation to the 3% Royalty Interest ("**GGG Royalty Deed**") and
- GGG will issue 17,500,000 ordinary shares in GGG ("**GGG Shares**") to Hackleton (or its nominee).

The following conditions must be satisfied before the Restructuring of Royalty Deed will have effect:

- Settlement has occurred under the Deed of Settlement with Westrip;
- The JV Agreement has been terminated;
- GGG is the sole legal and beneficial owner of all of the shares in GMS; and
- GGG, GMS and Hackleton enter into the Hackleton Royalty Deed.

Further details on the Restructuring of Royalty Deed are set out in **Section 1.1** of this report.

The GGG Royalty Deed was entered into by GGG and GMS and is conditional upon, inter alia, settlement occurring under the Deed of Settlement with Westrip, and by extension the completion of the Proposed Westrip Transaction. We are advised by the management of GGG ("**Management**") that the Proposed Transaction will occur after the completion of the Proposed Westrip Transaction. On that basis, we have assumed for the purpose of our assessment that GGG has 100% equity interest in GMS. Further details on the GGG Royalty Deed are set out in **Section 1.1** of this report.

Hackleton is a wholly-owned subsidiary of GCM Nominees Limited ("**GCM Nominees**"). GCM Nominees currently holds 35,000,000 GGG Shares representing approximately 8.5% equity interest in GGG and in the 6 months before the Proposed Transaction, held at least 10% equity interest in GGG. GCM Nominees ceased to hold an equity interest of 10% or more in GGG on 3 June 2011.

Listing Rule 10.1 of the Australian Securities Exchange ("**ASX**") requires a listed entity to obtain shareholders' approval before acquiring or disposing of a substantial asset from a person in a position of influence including a substantial shareholder and its associates who collectively, have a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attaching

to the voting securities, when the value of the asset, or the value of the consideration to be paid, is 5% or more of the equity interest of the entity.

Given Hackleton is an associate of GCM Nominees and the Proposed Transaction is considered substantial, ASX Listing Rule 10.1 is deemed to apply and the Proposed Transaction requires approval by the shareholders of GGG other than GCM Nominees and its associates ("**Non-Associated Shareholders**").

Listing Rule 10.10.2 requires that the Notice of Meeting to approve the proposed transaction be accompanied by a report from an independent expert stating whether the proposed transaction is fair and reasonable to holders of the entity's ordinary shares whose votes are not to be disregarded.

Consistent with the requirements under ASX Listing Rule 10.10.2, BDO Securities (NSW-VIC) Pty Ltd ("**BDO Securities**") has been engaged by GGG to prepare an independent expert's report ("**IER**") to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

This report has been prepared for inclusion in GGG's Explanatory Statement to accompany the Notice of Meeting to be sent to the Non-Associated Shareholders to assist them in deciding whether to approve the Proposed Transaction as set out in the Explanatory Statement. This report should not be used for any other purpose or by any other party.

Summary and Conclusion

In our opinion, the Proposed Transaction is on balance, **fair and reasonable** to the Non-Associated Shareholders.

Fairness

In accordance with our basis of evaluation of the Proposed Transaction (set out in **Section 2.1**), we have assessed whether or not the Proposed Transaction is fair to the Non-Associated Shareholders by comparing the value of the consideration payable by GGG to Hackleton of 17,500,000 GGG Shares ("**Purchase Consideration**"), with the value of the 3% Royalty Interest to be acquired.

This is summarised in the table below:

Table 1: Assessment of the Fairness of the Proposed Transaction

(\$*million)	Reference	Low	High	Mid-point/ Preferred value
Value of the 3% Royalty Interest to be acquired ¹	Section 5	7.4	16.6	12.0
Value of the Purchase Consideration ^{1,2}	Section 6	9.6	11.4	10.5

Source: BDO Securities Analysis

Notes:

¹ In arriving at our range of values for the 3% Royalty Interest, we have placed reliance on the report prepared by Bruce McKnight Minerals Advisor Services and Ross Glanville & Associates Ltd ("**McKnight and Glanville**") dated 4 November 2011 ("**McKnight and Glanville Report**").

We have also considered the value of a 100% working interest in the Kvanefjeld Project implied by the value of the 3% Royalty Interest assessed by McKnight and Glanville in assessing the value of a GGG Share to arrive at our range of values for the Purchase Consideration.

*The McKnight and Glanville Report is attached as **Appendix D**.*

² *We have assessed the value of a GGG Share and therefore, the Purchase Consideration assuming that the Proposed Westrip Transaction is completed and GGG has 100% equity interest in GMS.*

As shown above, the assessed mid-point value of the Purchase Consideration to be paid by GGG to Hackleton is below the preferred value of the 3% Royalty Interest assessed by McKnight and Glanville.

We note that at the low end of the valuation range, the value of the Purchase Consideration is above the value of the 3% Royalty Interest. However, this is due in part to the wide range in values assessed by McKnight and Glanville (at the high end the value of the Purchase Consideration is below the value of the 3% Royalty Interest). McKnight and Glanville have noted that "such a wide range in values is not unusual for interests in exploration and development properties at the stage and location of the Kvanefjeld Project and similarly for royalty interests in them".

We note that GGG's key exploration asset is the Kvanefjeld Project. Therefore, the value of GGG Shares fundamentally reflects the value of the Kvanefjeld Project and by extension, the potential net profits generated by the Project. As such, the Kvanefjeld Project is the key driver of value for both the Purchase Consideration (i.e. the 17,500,000 GGG Shares to be issued to Hackleton) and the 3% Royalty Interest to be acquired. Given this interdependency, the value of the Purchase Consideration is expected to move in tandem with any changes in the value of the 3% Royalty Interest.

Based on the above, it is our opinion that the Proposed Transaction is considered to be fair to the Non-Associated Shareholders.

Reasonableness

Regulatory Guide 111 states that an offer is "reasonable" if it is "fair". On this basis, the Proposed Transaction is reasonable to Non-Associated Shareholders.

Notwithstanding this, we have also had regard to the advantages and disadvantages of the Proposed Transaction to Non-Associated Shareholders and other significant factors which Non-Associated Shareholders might give consideration to in deciding whether to approve the Proposed Transaction.

We have considered the advantages and disadvantages of the Proposed Transaction to Non-Associated Shareholders which are summarised below and discussed more fully in **Section 8.2** of this report:

Table 2: Advantages and disadvantages

Advantages	Disadvantages
- Access to additional income stream - Greater control over subsidiary	Dilution of shareholding

We have also considered a number of other significant factors in arriving at our opinion, which are summarised below and discussed more fully in **Section 8.2** of this report:

If the Proposed Transaction does not proceed

Table 3: If the Proposed Transaction does not proceed

Consideration	Description
Potential increase or decline in share price	The last trading price of GGG Shares on the ASX on 21 November 2011, being the last practicable date prior to the issue of this report ("LPD") was \$0.57 per share.

Consideration	Description
	We note that GGG has yet to announce the Proposed Transaction as at the date of this report. Therefore, there is no indication at this stage of the market reaction (if any) to the Proposed Transaction. The share price of GGG as traded on the ASX may increase or decrease post the announcement of the Proposed Transaction and GGG shareholders' decision on whether to approve the Proposed Transaction at the forthcoming general meeting to be convened.
Transaction costs incurred	Management estimates the Company have incurred / will incur approximately \$80,000 of costs in relation to the Proposed Transaction including advisory fees which will not be refundable in the event the Proposed Transaction does not proceed.

Source: BDO Securities Analysis

Impact on shareholding

Based on the terms of the Proposed Transaction, Hackleton will be issued 17,500,000 GGG Shares as consideration for the 3% Royalty Interest to be acquired.

Upon completion of the Proposed Transaction (and assuming that the Proposed Westrip Transaction is completed and settlement has occurred under the terms of the Deeds of Settlement), the voting interest of the Non-Associated Shareholders will reduce from 91.5% to 88.0% on an undiluted basis, and 88.1% on a diluted basis as set out below:

Table 4: Impact on shareholding

	As at the LPD		Proforma					
			After the Proposed Westrip Transaction and settlement under the Deeds of Settlement (A)		After (A) and the Proposed Transaction		After (A) and the Proposed Transaction	
	No. of shares ('000)	% held	(Undiluted)		(Undiluted)		(Diluted)	
	No. of shares ('000)	% held	No. of shares ('000)	% held	No. of shares ('000)	% held	No. of shares ('000)	% held
GCM Nominees and associates	35,000	8.5%	35,000	8.4%	52,500	12.0%	52,500	11.9%
Non-Associated Shareholders	375,408	91.5%	383,233	91.6%	383,233	88.0%	388,983	88.1%
Total	410,408	100.0%	418,233	100.0%	435,733	100.0%	441,483	100.0%

Source: Management, BDO Securities Analysis

The proforma undiluted number of shares assumes the issue of 7,825,000 GGG Shares pursuant to the terms of the Deed of Settlement with the Westrip Minority Shareholders and 17,500,000 GGG Shares to Hackleton as consideration for the 3% Royalty Interest to be acquired. As settlement under the terms of the Deeds of Settlement have yet to occur, we have not considered the proforma impact of additional GGG Shares that may be issued, if any, to fully / partially fund the cash portion of the settlement amount. We note that any issue of such additional GGG Shares will dilute the shareholdings of both GCM Nominees and the Non-Associated Shareholders.

The proforma diluted number of shares assumes that the 5,000,000 GGG options to be issued as part of the Deed of Settlement with the Westrip Minority Shareholders, and the 750,000 GGG options on issue are exercised. We have not included GGG's performance rights and performance shares. We note that the performance rights and performance shares are out-of-the-money (based on the share price of GGG as traded on the ASX as at the LPD).

Impact on financial position

Based on the proforma financial position of GGG set out in the Explanatory Statement in relation to the Proposed Transaction, the proforma net assets of GGG will be \$61.88 million before and after the Proposed Transaction (assuming the Proposed Westrip Transaction is completed and settlement has occurred under the terms of the Deeds of Settlement), representing a decrease in proforma net assets per share from \$0.15 to \$0.14 on an undiluted basis.

As settlement under the terms of the Deeds of Settlement have yet to occur, we have not considered the proforma impact of additional GGG Shares that may be issued, if any, to fully / partially fund the cash portion of the settlement amount.

In forming our opinion, we have considered the interests of the Non-Associated Shareholders as a whole. Our opinion therefore does not consider the financial situation, objectives or needs of individual shareholders.

BDO Securities' opinion should not be construed as a recommendation as to whether or not to vote in favour of the Proposed Transaction. Approval or rejection of the Proposed Transaction is a matter for the individual shareholders. This decision should be based on each shareholder's views as to matters including value and future market conditions, risk profile, liquidity preferences, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt, shareholders should consult an independent professional adviser.

This letter should be read in conjunction with the full text of this report as attached including the appendices.

Our opinion is based on information available at the date of this report as detailed in **Appendix B**.

Yours faithfully



Michael J Smith
Director



Phillip W Rundle
Director

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FINANCIAL SERVICES GUIDE

BDO Securities (NSW-VIC) Pty Ltd ABN 82 065 203 492 ("BDO Securities" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

1 FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 222438
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

2 FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide general financial product advice to retail and wholesale clients on securities and interests in managed investment schemes.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

3 GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

4 FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Independent Directors of GGG have agreed that the Company will pay us \$40,000 for preparing the Report.

Except for the fees referred to above, neither BDO Securities, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

5 REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a Report.

6 REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

7 ASSOCIATIONS AND RELATIONSHIPS

BDO Securities is a wholly owned subsidiary of BDO (NSW-VIC) Pty Ltd, which is a member of an Australian association of independent accounting and management consulting firms trading under the name of "BDO".

From time to time BDO Securities or BDO and/or BDO related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

8 INDEPENDENCE

BDO Securities is independent of the entity that engages it to provide a report. The guidelines for independence in the preparation of reports are set out in the Regulatory Guide 112 issued by the Australian Securities and Investments Commission in March 2011.

In 2007, BDO Consultants (WA) Pty Ltd was engaged by Greenland Minerals and Energy Limited ("GGG") to prepare an independent expert's report in relation to the proposed acquisition of 100% equity interest in Chahood Capital Limited and an immediate 61% joint venture interest with Westrip Holdings Limited. The proposed transaction was completed in 2007.

In 2009, BDO Kendalls Corporate Finance (WA) Pty Ltd was engaged by GGG to prepare an independent expert's report in relation to the proposed acquisition of a 4% royalty interest from Hackleton Investments Limited. The proposed acquisition of the 4% royalty interest did not proceed and is related to the Proposed Transaction which is the subject of this report.

We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

9 COMPLAINTS RESOLUTION

9.1 INTERNAL COMPLAINTS RESOLUTION PROCESS

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Securities, GPO Box 4736, Melbourne VIC 3001.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 REFERRAL TO EXTERNAL DISPUTE RESOLUTION SCHEME

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOS"). FOS is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Securities is a member of FOS (Member Number 11281).

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1300 78 08 08 Facsimile: (03) 9613 6399

10 CONTACT DETAILS

You may contact us using the details set out at the top of our letterhead of our Report.

GLOSSARY

Term	Definition
\$	Australian dollar
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO Securities	BDO Securities (NSW-VIC) Pty Ltd
Chahood	Chahood Capital Limited
Deeds of Settlement	Collectively, the Deed of Settlement with Westrip and Deed of Settlement with the Westrip Minority Shareholders
EGM	Extraordinary General Meeting
EL	Exploration license
Exchange Minerals Royalty	1% royalty on the net profits of GMS calculated in accordance to the terms of the Exchange Minerals Royalty Deed
Exchange Minerals Royalty Deed	Deed entered into between GGG, GMS and Exchange Minerals Limited (being Exchange Minerals FZE's nominee in relation to the Exchange Minerals Royalty) in relation to the Exchange Minerals Royalty dated 2 December 2011
FY	Financial year
GCM Nominees	GCM Nominees Limited
GGG or the Company	Greenland Minerals and Energy Limited
GGG Royalty Deed	Deed entered into between GGG and GMS pursuant to the terms of the Restructuring of Royalty Deed dated 2 December 2011
GGG Share(s)	Ordinary share(s) in GGG
GMS	Greenland Minerals and Energy (Trading) A/S
Hackleton	Hackleton Investments Limited
Hackleton Royalty	4% royalty on the net profits of GMS calculated in accordance to the terms of the Hackleton Royalty Deed (to be reduced to a 1% royalty upon variation of the Hackleton Royalty Deed)
Hackleton Royalty Deed	Deed entered into between GGG, GMS and Hackleton in relation to the Hackleton Royalty dated 2 December 2011
IER	This independent expert's report prepared by BDO Securities
JORC	Joint Ore Reserves Committee
JV Agreement	The joint venture agreement dated 14 March 2007 as amended and to which GGG, Chahood and Westrip are bound
JV Royalty	Royalty equivalent to 5% of the net profits of GMS pursuant to the JV Agreement which was originally payable to Westrip
Kvanefjeld Project or the Project	EL 2010/02 over the northern Ilimaussaq Intrusive Complex in Greenland that contains the Kvanefjeld Rare Earth Element-Uranium-Zinc deposit and nearby satellite deposits, namely Zone 2, Zone 3 and Steenstrupfjeld

Term	Definition
LPD	Latest practicable date prior to the issue of this report i.e. 21 November 2011
Management	Management of GGG
McKnight and Glanville	Bruce McKnight Minerals Advisor Services and Ross Glanville & Associates Ltd
Non-Associated Shareholders	Shareholders of GGG other than GCM Nominees and its associates
Proposed Transaction	Proposed acquisition of the 3% Royalty Interest by GGG from Hackleton for the Purchase Consideration
Proposed Westrip Transaction	Proposed acquisition of the 39% equity interest held by Westrip in GMS by GGG as part of the Deeds of Settlement
Purchase Consideration	Being the purchase consideration payable by GGG to Hackleton for the Proposed Transaction of 17,500,000 GGG Shares
REE	Rare earth element
REO	Rare earth oxide
Restructuring of Royalty Deed	Restructuring of Royalty Deed entered into between GGG, GMS and Hackleton dated 2 December 2011
Rimbal	Rimbal Pty Ltd
VWAP	Volume weighted average price
Westrip	Westrip Holdings Limited
YTD	Year to date
3% Royalty Interest	A royalty on the commercial exploitation of any of the minerals which is equal to 3% of the net profits of GMS pursuant to the terms of the Restructuring of Royalty Deed

1. The Proposed Transaction

1.1 Overview

GGG owns a 61% equity interest in GMS which holds EL 2010/02 over the northern Ilimaussaq Intrusive Complex in Greenland that contains the Kvanefjeld Rare Earth Element-Uranium-Zinc deposit and nearby satellite deposits, namely Zone 2, Zone 3 and Steenstrupfjeld. The remaining 39% equity interest in GMS is held by joint venture partner, Westrip.

The JV Agreement provides for the payment of the JV Royalty. The JV Royalty was originally payable to Westrip. The beneficial rights to the JV Royalty are currently held as to 4% to Hackleton and 1% to Exchange Minerals FZE.

Since 2009, there have been several disputes involving GGG, Westrip and Rimbal in relation to the joint venture and ownership of EL 2010/02. In 2011, GGG entered into the Deed of Settlement with Westrip and Deed of Settlement with the Westrip Minority Shareholders with various parties involved in the disputes, which include the proposed acquisition of Westrip's 39% equity interest in GMS as part of the terms of settlement. Settlement under the terms of the Deeds of Settlement, including the Proposed Westrip Transaction, has yet to be completed. Upon settlement, GMS will be a wholly-owned subsidiary of GGG and the JV Agreement will be terminated. Further details on the Deeds of Settlement are set out in **Section 3.1** of this report.

On 2 December 2011, GMS entered into the Hackleton Royalty Deed and Exchange Minerals Royalty Deed in respect of the Hackleton Royalty and Exchange Minerals Royalty respectively, in replacement of the beneficial rights to the net profits payable under the JV Royalty (as assigned). The Hackleton Royalty Deed and Exchange Minerals Royalty Deed will have effect upon, inter alia, the termination of the JV Agreement and GGG owning all the shares in GMS.

GGG has proposed to acquire from Hackleton the 3% Royalty Interest for a Purchase Consideration of 17,500,000 GGG Shares pursuant to the terms of the Restructuring of Royalty Deed which was entered into on 2 December 2011. We note that an announcement of the Proposed Transaction has not yet been made by GGG as at the issuing of this report.

The key terms of the Restructuring of Royalty Deed include the following:

- The Hackleton Royalty Deed is varied so as to reduce the Hackleton Royalty from 4% to 1%;
- GGG and GMS enter into the GGG Royalty Deed in relation to the 3% Royalty Interest; and
- GGG will issue 17,500,000 GGG Shares to Hackleton.

The following conditions must be satisfied before the Restructuring of Royalty Deed will have effect:

- Settlement has occurred under the Deed of Settlement with Westrip;
- The JV Agreement has been terminated;
- GGG is the sole legal and beneficial owner of all of the shares in GMS; and
- GGG, GMS and Hackleton enter into the Hackleton Royalty Deed.

On 2 December 2011, GGG and GMS entered into the GGG Royalty Deed. The key terms of the GGG Royalty Deed include the following:

- GMS grants GGG the 3% Royalty Interest, payable annually; and
- GMS may commingle any mineral product with like resources mined or extracted from outside EL 2010/02. Before commingling, mineral product must be sampled, assayed, weighed and measured in accordance with good industry practice.

Whilst for legal purposes the 3% Royalty Interest is between separate legal entities, the Proposed Transaction reflects an internalisation of the royalty stream (i.e. the 3% Royalty Interest is receivable by GGG from its subsidiary, GMS).

The GGG Royalty Deed is conditional upon settlement occurring under the Deed of Settlement with Westrip, and by extension the completion of the Proposed Westrip Transaction. On that basis, we have assumed for the purpose of our assessment that GGG has 100% equity interest in GMS.

1.2 Conditions

The conditions of the Restructuring of Royalty Deed include the following:

- the shareholders of GGG approve the allotment and issue of the 17,500,000 GGG Shares and other transactions contemplated by the Restructuring of Royalty Deed in accordance with the ASX Listing Rules and any other regulatory requirements.

The following conditions must be satisfied before the GGG Royalty Deed will have effect:

- settlement has occurred under the Deed of Settlement with Westrip;
- the JV Agreement has been terminated;
- GGG is the sole legal and beneficial owner of all of the shares in GMS; and
- completion has occurred under the Restructuring of Royalty Deed.

2. Basis of Assessment of the Proposed Transaction

2.1 Basis of Assessment

The term “fair and reasonable” does not have any statutory definition, although, over time, a commonly accepted meaning has evolved. The Australian Securities and Investments Commission (“ASIC”) has issued Regulatory Guide 111 *Content of expert reports* (“Regulatory Guide 111”) which provides some guidance to the use of that term.

Regulatory Guide 111 attempts to provide a precise definition of fair and reasonable. The Regulatory Guide continues earlier regulatory guidelines that created a distinction between “fair” and “reasonable”.

Fairness is said to involve a comparison of the value of the offer price with the value that may be attributed to the securities that are the subject of the offer. This comparison should be made assuming 100% ownership of the target and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the bidder or its associates in the target when making this comparison.

Reasonableness is said to involve an analysis of other factors that shareholders might consider prior to approving a proposed transaction, such as:

- the bidder's pre-existing voting power in securities in the target;
- other significant security holding blocks in the target;
- the liquidity of the market in the target's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder, such as particular technology or the potential to write off outstanding loans from the target;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.

A bidder may also offer a price which is “not fair” where the target is in financial distress. Such an offer may nonetheless be reasonable if the alternative methods of remedying the financial distress are likely to be less attractive to shareholders than a successful offer.

For the purpose of this report, BDO Securities has treated “fair” and “reasonable” as separate concepts in accordance with Regulatory Guide 111. The Regulatory Guide states that an offer is “reasonable” if it is “fair”. An offer might also be “reasonable” if despite being “not fair”; the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of a higher bid.

For the purpose of our opinion, fair market value is defined as the price that could be negotiated in an open and unrestricted market between a willing, knowledgeable but not anxious buyer and a willing, knowledgeable but not anxious vendor acting at arm's length, each believing that they have complete information with respect to the asset being sold.

We have also given due consideration to relevant matters in other ASIC guidelines, including Regulatory Guide 76 *Related party transactions* and Regulatory Guide 112 *Independence of experts*.

2.2 Adopted Approach

In considering whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- comparing the value of the consideration payable by GGG to Hackleton (i.e. 17,500,000 GGG Shares), with the value of the 3% Royalty Interest to be acquired;
- advantages and disadvantages associated with the Proposed Transaction;
- implications if the Proposed Transaction is not approved; and
- other significant matters associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders.

2.3 Information Used

In preparing this report, we have used and relied upon the information set out in **Appendix B** and representations made by the Management.

We have conducted checks, enquiries and analysis on the information provided to us that we consider appropriate for the purpose of this report. Based on this evaluation, we consider that the information used as the basis for forming the opinions in this report is accurate, complete and not misleading and we have no reason to believe that material information relevant to our report has been withheld. However, we do not warrant that our enquiries have identified all of the matters that an audit or extensive examination might disclose. Preparation of this report should not be taken to imply that BDO Securities has in any way, carried out an audit of the accounts or other records of GGG.

Our assessment has been made as at the date of our report. Economic conditions, market factors and performance change may result in this report becoming outdated. We reserve the right to review our assessments and, if we consider it necessary, to issue an addendum to our report in light of any relevant material information that subsequently becomes known to us prior to the Extraordinary Meeting to vote on the Proposed Transaction.

2.4 Scope Exclusions

The sole purpose of this report is an expression of our opinion as to whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders in order to assist the Non-Associated Shareholders in considering whether to approve the Proposed Transaction. This report has not been prepared to provide information to parties considering the purchase or sale of any equity or other security in GGG. Accordingly, we do not assume any responsibility or liability for any losses suffered as a result of the use of this report contrary to the provisions in this paragraph.

3. Profile of GGG

3.1 Company Overview

The principal activities of GGG are mineral exploration and project evaluation. The Company is listed on the ASX, the United States OTC Bulletin Board Market and Frankfurt Stock Exchange.

GGG holds the following exploration licenses and off-take rights in Southern Greenland:

- EL 2010/02 (Kvanefjeld Project);
- EL 2011/23;
- EL 2011/26;
- EL 2011/27; and
- Off-take rights for Lujavrite for EL 2010/24.

All licenses and rights are held directly by GGG except for EL 2010/02 which is held through a 61%-owned subsidiary, GMS.

The Company's primary focus is to advance the Kvanefjeld Project contained within EL 2010/02, which was acquired pursuant to a joint venture with Westrip in 2007. Further details on the Kvanefjeld Project are set out in **Section 3.2** below.

Since 2009, there have been several disputes involving GGG, Westrip and Rimbal in relation to the joint venture and ownership of EL 2010/02. On 7 October 2011, the shareholders of GGG approved, inter alia, the proposed acquisition of Westrip's 39% equity interest in GMS pursuant to the terms of the Deeds of Settlement.

The Deed of Settlement with Westrip, provides for, inter alia, the following on settlement:

- GGG will pay \$33,000,000 to Rimbal (of which GGG has paid a deposit of \$5,000,000 into an escrow account pending settlement);
- GGG will receive a transfer of legal and beneficial title to the remaining 39% equity interest in GMS;
- GGG, Westrip and Rimbal agree that the joint venture is terminated without any liability on the parties;
- Westrip will transfer all of its GGG Shares to Rimbal; and
- The proceedings will be dismissed with no orders as to costs.

The Deed of Settlement with Westrip is conditional on, among others, GGG securing finance sufficient to fund its payment obligations at settlement within 90 days after the approval of GGG's shareholders for the transactions provided for in the Deed of Settlement with Westrip.

GGG has a right to terminate the Deed of Settlement with Westrip in the event either the Dow Jones Industrial Index closes below 10,500 points or the ASX All Ordinaries Index closes below 3,750 points for 5 consecutive trading days.

The Deed of Settlement with the Westrip Minority Shareholders, provides for, inter alia, the following on settlement:

- GGG will pay \$6,000,000 to the Westrip Minority Shareholders (of which GGG has paid a non-refundable deposit of \$600,000); and
- GGG must issue 7,825,000 GGG Shares and 5,000,000 GGG options. Each option has an exercise price of \$1.50 per share and may be exercised at any time within 2 years of the date of issue.

The Deed of Settlement with the Westrip Minority Shareholders is conditional on, among others, GGG securing finance acceptable to GGG to complete the payments required upon settlement of the Deeds of Settlement.

GGG has further entered into an agreement with Rimbal whereby the Company has been granted the exclusive right to acquire all the black lujavrite from EL 2010/24 registered to Rimbal and further agreed off-take terms. EL 2010/24 is located immediately to the south of the Kvanefjeld Project. Lujavrite is the rock-type that is host to REE-Uranium-Zinc mineralization at Kvanefjeld.

Settlement under the terms of the Deeds of Settlement, including the Proposed Westrip Transaction, has yet to be completed.

3.2 Kvanefjeld Project

Overview

The Kvanefjeld Project is located in the northern Ilimaussaq Intrusive Complex in Greenland that contains the Kvanefjeld REE-Uranium-Zinc deposit and nearby satellite deposits, namely Zone 2, Zone 3 and Steenstrupfjeld. On 24 March 2010, GGG announced that the Greenland government approves EL 2010/02 covering the Kvanefjeld Project, under the new Greenlandic Mining Act replacing the previous license, and expiring 31 December 2014.

The Kvanefjeld deposit has a Joint Ore Reserves Committee ("JORC") - compliant resource of 619 million tonnes and is recognised as one of the largest undeveloped REE deposits in the world. The initial JORC-code compliant resource estimates on Zone 2 and Zone 3 are anticipated to be finalised in the first quarter of 2012. There is also potential to generate an initial resource estimate at Steenstrupfjeld.

GGG acquired the Kvanefjeld Project through its 61%-owned subsidiary GMS, pursuant to a joint venture with Westrip in 2007. GGG and Chahood have an option to acquire:

- A further 29% joint venture interest by the issue of \$10,000,000 in cash, shares or a combination of cash and shares, at the election of Westrip; and
- The final 10% joint venture interest by paying \$50,000,000 in cash to Westrip.

Under the terms of the JV Agreement, both joint venture parties are required to contribute to the exploration expenditure from 17 August 2009 in proportion to their respective interests in the joint venture. To date, GGG has continued to fully fund the exploration expenditure in relation to the Kvanefjeld Project.

The JV Agreement further provides for the payment of a royalty equivalent to 5% of the net profits of GMS. The JV Royalty which was originally payable to Westrip was subsequently sold to Hackleton and Exchange Minerals FZE in 2007. The beneficial rights to the JV Royalty are currently held as to 4% to Hackleton and 1% to Exchange Minerals FZE.

At the point of acquisition of the Kvanefjeld Project in 2007, the area was known to contain a uranium deposit at Kvanefjeld that had been studied historically by Danish research institutes through the 1960s, 1970s and into the 1980s. GGG continued to explore the Ilimaussaq Complex and has since completed two large-scale exploration and resource definition programs in May 2009 and March 2011 respectively. An interim report on the pre-feasibility study of the Kvanefjeld Project was released in February 2010 which provided indication that the Project could be developed as an economically robust, large-scale mining operation to provide rare earth concentrate and uranium oxide.

Since the release of the pre-feasibility study in 2010, GGG has been focused on advancing the process flow-sheet to generate an increasingly efficient and scalable development scenario for Kvanefjeld focusing on effective mineral beneficiation, enhanced mineral resources and improved metal recoveries. In 2011, GGG commenced environmental and social impact assessments on the Project which are key components towards a bankable feasibility study.

REEs are recognised as critical to the global manufacturing base of many emerging consumer items and green technologies. Presently, China has a significant control over the global REE supply, raising concerns to non-Chinese consumers over the long-term stability of REE supply and pricing. The northern Ilimaussaq Complex offers the potential for multi-element resources to have the potential to become a large-scale REE mine, and restore balance to the global supply of REE.

Royalty Interest on the Kvanefjeld Project

The beneficial rights to the JV Royalty are currently held as to 4% to Hackleton and 1% to Exchange Minerals FZE.

Management advised that the key terms of the JV Royalty are as follows:

- the JV Royalty is payable on all minerals (as per the definition of minerals in the Hackleton Royalty Deed and Exchange Minerals Royalty Deed below); and
- the JV Royalty is calculated on a net profit basis.

On 2 December 2011, GMS entered into the Hackleton Royalty Deed and Exchange Minerals Royalty Deed whereby GMS grants to Hackleton and Exchange Minerals Limited (being Exchange Minerals FZE's nominee in relation to the Exchange Minerals Royalty) the Hackleton Royalty and the Exchange Minerals Royalty respectively, in replacement of the beneficial rights to the net profits payable under the JV Royalty (as assigned).

The key terms of the Hackleton Royalty Deed includes the following:

- GMS grants Hackleton the Hackleton Royalty of 4% on net profits, payable annually;
- GMS may commingle any mineral product with like resources mined or extracted from outside EL 2010/02. Before commingling, mineral product must be sampled, assayed, weighed and measured in accordance with good industry practice;
- In the event GMS decides to relinquish EL 2010/02 (Kvanefjeld Project), Hackleton may notify GMS and Exchange Minerals Limited that it wishes to acquire the tenement. Upon such notice, if Exchange Minerals Limited then notifies GMS and Hackleton that it also wishes to acquire EL 2010/02, then GMS must incorporate a subsidiary in Greenland to hold the relinquished tenement, the shares in which are to be held by Hackleton and Exchange Minerals Limited as to 80% and 20 % respectively. If Exchange Minerals Limited does not give such a notice, then Hackleton and GMS must negotiate for the acquisition of EL

2010/02 by Hackleton. GMS is free to relinquish EL 2010/02 as decided if neither Hackleton nor Exchange Minerals Limited provides such a notice;

- GMS must not dispose of EL 2010/02 (Kvanefjeld Project) unless the assignee has entered into a deed in a form reasonably acceptable to Hackleton under which the assignee covenants to comply with the Hackleton Royalty Deed as if it were an original party to the deed in the place of GMS; and
- GGG guarantees the performance of GMS' obligations under the Hackleton Royalty Deed.

The key terms of the Exchange Minerals Royalty Deed include the following:

- GMS grants Exchange Minerals the Exchange Minerals Royalty of 1% on net profits, payable annually;
- GMS may commingle any mineral product with like resources mined or extracted from outside EL 2010/02. Before commingling, mineral product must be sampled, assayed, weighed and measured in accordance with good industry practice;
- In the event GMS decides to relinquish EL 2010/02, Exchange Minerals Limited may notify GMS and Hackleton that it wishes to acquire the tenement. Upon such notice, if Hackleton then notifies GMS and Exchange Minerals Limited that it also wishes to acquire EL 2010/02, then GMS must incorporate a subsidiary in Greenland to hold the relinquished tenement, the shares in which are to be held by Hackleton and Exchange Minerals Limited as to 80% and 20 % respectively. If Hackleton does not give such a notice, then Exchange Minerals Limited and GMS must negotiate for the acquisition of EL 2010/02 by Exchange Minerals Limited. GMS is free to relinquish EL 2010/02 as decided if neither Hackleton nor Exchange Minerals Limited provides such a notice;
- GMS must not dispose of EL 2010/02 (Kvanefjeld Project) unless the assignee has entered into a deed in a form reasonably acceptable to Exchange Minerals Limited under which the assignee covenants to comply with the Exchange Minerals Royalty Deed as if it were an original party to the deed in the place of GMS; and
- GGG guarantees the performance of GMS' obligation under the Exchange Minerals Royalty Deed.

The following conditions must be satisfied before the Hackleton Royalty Deed and Exchange Minerals Royalty Deed will have effect:

- Settlement has occurred under the Deed of Settlement with Westrip;
- The JV Agreement has been terminated; and
- GGG (as the guarantor) is the sole legal and beneficial owner of all of the shares in GMS .

Regulatory Environment in Greenland

The Greenland Government currently has a zero-tolerance approach to the exploration and exploitation of uranium.

In September 2010, the Greenland government made an amendment to the Standard Terms for Exploration Licenses for Minerals in Greenland to allow for the inclusion of radioactive elements as exploitable minerals for the purpose of thorough evaluation and reporting. This amendment allows companies which have found and demarcated mineral resources containing radioactive elements to apply for a license to prepare assessments of the environmental impact and social sustainability.

GGG's application was approved in December 2010, as a supplementary permit to license 2010/02. This allowed GGG to commence a definitive feasibility study inclusive of uranium, to run alongside environmental and social impact assessments.

3.3 Historical Financial Performance

GGG's consolidated financial performance for the 6 months ended 30 June 2009, 6 months ended 31 December 2009, financial year ("FY") ended 31 December 2010 and the 6 months ended 30 June 2011 ("1H FY11") are summarised below:

Table 5: Historical Financial Performance

(\$'000)	6 months to 30 Jun 2009	6 months to 31 Dec 2009	FY2010	1H FY11
Revenue	612	388	717	377
Expenses				
Directors benefits	(1,052)	(589)	(1,031)	(1,398)
Employee benefits	(40)	(811)	(1,825)	(1,628)
Legal fees	(443)	(1,574)	(1,111)	(904)
Occupancy expenses	(152)	(134)	(235)	(405)
Other expenses	(1,232)	(1,103)	(3,679)	(2,148)
Total expenses	(2,919)	(4,211)	(7,881)	(6,483)
Loss before tax	(2,307)	(3,823)	(7,164)	(6,106)
Income tax expense	-	-	-	-
Net Loss	(2,307)	(3,823)	(7,164)	(6,106)
Loss attributable to :				
Owners of the parent	(2,301)	(3,708)	(6,392)	(5,507)
Non-controlling interest	(6)	(115)	(772)	(599)
	(2,307)	(3,823)	(7,164)	(6,106)

Source: Financial Report of GGG for the Half-Year ended 30 June 2010, Annual Report for FY10 (with comparatives) and Financial Report for the Half-Year ended 30 June 2011

In relation to GGG's historical performance, the following comments are made:

- GGG changed its financial year end from 30 June to 31 December during the periods under review and reported the results for the first full financial year ended 31 December in 2010.
- Revenues earned consist mainly of interest income, revenue from a sub-lease and other income.
- Director and employee benefits include directors' fees and salaries and share based payment expenses relating to the issue of options to certain directors and employees.
- Legal fees relate mainly to litigation in respect of various disputes with Westrip and other parties regarding the joint venture and ownership of the Kvanefjeld Project.

- Other expenses include marketing and public relations expenses, operating lease rental expenses, consulting expenses and administrative expenses. In FY2010, the Company incurred a one-off payroll tax expense of \$1.2 million relating to certain options issued to directors in 2007, which were payable when the options vest.

3.4 Historical Financial Position

GGG's consolidated financial position as at 31 December 2009, 31 December 2010 and 30 June 2011 are summarised below:

Table 6: Historical Financial Position

(\$'000)	31 Dec 2009	31 Dec 2010	30 Jun 2011
Assets			
Cash and cash equivalents	7,614	11,587	22,763
Trade and other receivables	1,971	196	380
Other assets	515	1,364	1,183
Financial assets	-	-	12
Property, plant and equipment	460	582	1,877
Capitalised exploration and evaluation expenditure	37,129	42,149	41,969
Total Assets	47,689	55,878	68,184
Liabilities			
Trade and other payables	696	1,476	2,683
Provisions	79	1,622	267
Total Liabilities	775	3,098	2,950
Net Assets	46,914	52,780	65,234
Equity			
Issued capital	103,685	153,754	278,818
Reserves	153,957	117,401	13,595
Accumulated losses	(210,684)	(217,076)	(222,583)
Equity attributable to equity holders of the parent	46,958	54,079	69,830
Non-controlling interest	(44)	(1,299)	(4,596)
Total Equity	46,914	52,780	65,234

Source: Annual Report of GGG for FY10 (with comparatives) and Financial Report for the Half-Year ended 30 June 2011

In relation to GGG's historical financial position, the following comments are made:

- The increase in cash in FY2010 is due mainly to the capital raising completed in July 2010 which included the issue of 17.6 million GGG Shares at \$0.34 per share, totalling \$6 million.

The increase in cash as at 30 June 2011 is due mainly to the exercise of a significant number of options which had an expiry date of 30 June 2011 that were issued to the vendors and corporate advisor as part of the acquisition of the Kvanefjeld Project in 2007. 112.8 million options were exercised at exercise prices of \$0.20, \$0.50 and \$1.00 per share, raising a total of \$24.4 million during 1H FY2011.

- Capitalised exploration and evaluation expenditure relates mainly to the Kvanefjeld Project.

Under the terms of the JV Agreement, both joint venture parties are required to contribute to the exploration expenditure from 17 August 2009 in proportion to their respective interests in the joint venture. To date, GGG has continued to fully fund the exploration expenditure in relation to the Kvanefjeld Project and the Company has not made a claim against Westrip for its share of the exploration expenditure post 17 August 2009.

During the 6 months ended 30 June 2011, GGG received legal advice indicating that legal and beneficial ownership of the Kvanefjeld Project resided with GMS and not the Company. As a result, all capitalised exploration and evaluation expenditure has been recognised in GMS except for the original cost of acquiring the Project in 2007 of \$9.15 million and research and development expenditure.

3.5 Recent Capital Raisings

Recent share placement activities of GGG up to the LPD, are summarised below:

Table 7: Share Based Payments/ Share Placements

Type	Date	Number ('000)	Issue / Exercise Price (\$ / share)	Amount raised (\$'000)
Share placement	8/07/2010	17,647	\$0.34	6,000
Share issue in lieu of capital raising fees	17/12/2010	800	\$0.34	272
Exercise of options	1/7/2010 to 31/12/2010	43,399	\$0.10, \$0.20 and \$0.50	44,495
Exercise of options	1/1/2011 to 30/6/2011	112,752	\$0.10, \$0.20, \$0.50 and \$1.00	24,382

Source: Management of GGG

3.6 Share Capital and Ownership Structure

Equity Capital Structure

As at the LPD, GGG has the following securities on issue:

Table 8: Share Capital

	Number of securities
Listed securities	
Ordinary shares	410,407,582
Total listed securities	410,407,582
Unlisted securities	
Performance options	7,000,000
Performance rights	16,450,000
Options	750,000
Total unlisted securities	24,200,000

Source: Management of GGG

Ordinary shares

As at the 29 September 2011, the top twenty shareholders of GGG's Shares are as follows:

Table 9: Ordinary Shares

Shareholder	Number of shares	%
Top twenty shareholders	315,732,485	76.93%
Others	94,675,097	23.07%
Total ordinary shares	410,407,582	

Source: Management of GGG

Performance Options

As at the LPD, GGG has the following performance options on issue:

Table 10: Performance Options

	Tranche 1	Tranche 2	Tranche 3	Total
Number of performance options	2,300,000	2,350,000	2,350,000	7,000,000
Vesting conditions	VWAP being \$3.75* or more plus service condition	VWAP being \$5.00* or more plus service condition	VWAP being \$6.25* or more plus service condition	
Exercise price	\$1.75 per option	\$1.75 per option	\$1.75 per option	

Source: Management of GGG

* VWAP for 10 consecutive trading days

Performance Rights

As at the LPD, GGG has the following performance rights on issue:

Table 11: Performance Rights

	Tranche 1	Tranche 2	Tranche 3	Total
Number of performance rights	5,000,000	5,325,000	6,125,000	16,450,000
Vesting conditions	VWAP being \$1.50* or more plus service condition	VWAP being \$1.85* or more plus service condition	VWAP being \$2.50* or more plus service condition	

Source: Management of GGG

* VWAP for 10 consecutive trading days

Options

As at the LPD, GGG has 750,000 options on issue with an exercise price of \$0.25 per share and an expiry date of 31 March 2013.

4. Industry Overview

Rare Earth Elements

REEs are a group of 17 metals which have many similar properties and are often found together in geologic deposits. REEs are used in devices such as batteries, computer memory, DVD's, fluorescent lights and magnets.

China currently controls more than 90% of the world's total output of REEs, as indicated in the figure below:

Table 12: REE Global Production

(Metric tonnes)	2009	2010
United States	-	-
Australia	-	-
Brazil	550	550
China	129,000	130,000
Commonwealth of Independent States	n/a	n/a
India	2,700	2,700
Malaysia	350	350
Other countries	n/a	n/a
World total (rounded)	133,000	130,000

Source: U.S. Geological Survey, Mineral Commodity Summaries, January 2011

Over the last two years, China has been consistently reducing its export quotas with current sales licenses 40% lower than 2009 quotas. This has resulted in a growing demand for REEs and substantial price increases in 2010 and 2011.

Analysts expect China to continue to reduce its exports over the next 5 years. Production in China is also expected to fall due to tightening government regulations in efforts to clean up its mining operations.

Growing demand and monopolised Chinese supply has raised concerns about the long-term stability of supply and prices of REEs.

Uranium

Prices for uranium fell significantly after the Fukushima nuclear crisis in Japan, and have remained stagnant over the last 5 months. There is currently an oversupply in the market, due to the decreased demand for uranium, and the increased production prior Fukushima.

In the longer term, analysts expect the market to recover, as China, India and other emerging nuclear nations look to secure uranium supplies essential to growing energy demands.

Zinc

Demand for zinc generally follows industrial production, or more broadly global economic growth. Economic activity gradually increased over 2010, and the rise in global zinc production over this period was credited towards strong recovery of consumption in Europe and continued consumption growth in China.

Global zinc mine production in 2010 increased by 11% to 12.5 million tons, whilst global consumption increased by 13% to 12.3 million tons, creating a surplus of 233,000 tons. A smaller market surplus is expected in 2011.

5. Valuation of the 3% Royalty Interest

In forming our opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered the value of the 3% Royalty Interest on a fair market value basis.

In order to assist BDO Securities in assessing the value of the 3% Royalty Interest to be acquired, BDO Securities has engaged McKnight and Glanville to prepare an independent valuation of the 3% Royalty Interest. We have placed reliance on the value ascribed by McKnight and Glanville to the 3% Royalty Interest in our report. A copy of the McKnight and Glanville Report is set out in **Appendix D**.

The McKnight and Glanville Report has been prepared in accordance with the requirements of the VALMIN Code (2005).

We note that McKnight and Glanville have assessed the value of the 3% Royalty Interest indirectly, and in two steps; the first step was estimating (based on a number of net present value calculations of the Project and the 3% Royalty Interest) the relationship between a percentage Royalty interest and a percentage working interest. This was estimated to be in the range of 1.5 to 2.0 (that is, a 3% Royalty Interest would be equivalent to a working interest ranging from 4.5% to 6.0%). The second step was estimating the value of a 100% working interest in the Project.

Three main valuation methods that were utilised to estimate the value of the 100% working interest in the Kvanefjeld Project (and indirectly the value of the 3% Royalty Interest) include the adjusted appraised value method, the comparable transactions method, and the adjusted discounted cash flow approach. The results were cross-checked using the portion of attributed market capitalisation method.

Based on the methodologies above, McKnight and Glanville estimated the indicated values of the 3% Royalty Interest in the Kvanefjeld Project to be as follows:

Table 13: Summary of Valuations of a 3% Royalty Interest in Kvanefjeld

(\$ m)	Low	High	Mid Point
Main Methods			
Adjusted Appraised Value	12.4	20.7	16.6
Comparable Transactions Value	6.6	8.2	7.4
DCF Method	6.7	10.1	8.4
Cross-check Method			
Portion of Market Capitalisation	n/a	n/a	12.8

Source: McKnight and Glanville Report

Based on the foregoing and additional analyses set out in the McKnight and Glanville Report, it is the opinion of Glanville and McKnight that the value of a 3% Royalty Interest in the Kvanefjeld Project of GGG is in the range of \$7.4 to \$16.6 million, with a preferred value of \$12.0 million. McKnight and Glanville also note that this value is supported by that derived from the portion of attributed market capitalisation approach.

McKnight and Glanville note that such a wide range in values is not unusual for interests in exploration and development properties at the stage and location of the Kvanefjeld Project and similarly for royalty interests in them.

6. Valuation of GGG Shares

In forming our opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have assessed the value of the Purchase Consideration (i.e. the 17,500,000 GGG Shares) on a fair market value basis.

Fair market value is defined as the price that could be negotiated in an open and unrestricted market between a willing, knowledgeable but not anxious buyer and a willing, knowledgeable but not anxious vendor acting at arm's length, each believing that they have complete information with respect to the asset being sold.

6.1 Selected Methodology

The value of shares in a company or the value of a business is usually determined with regard to both asset values and the consistency and quality of earnings. There are five traditional methodologies for such a valuation. These are referred to as:

- capitalisation of future maintainable earnings;
- discounted cash flow analysis;
- net asset backing valuations;
- comparable market transactions; and
- quoted market price valuations.

A summary of each of these methodologies is outlined in **Appendix C**.

We have considered the relevance of each of these methodologies prior to undertaking our valuation. Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of the company and available information.

In assessing the value of GGG Shares, we have adopted the quoted market price methodology for the following reasons:

- GGG Shares are listed on the ASX which provides a ready market through which the shares can be traded and recent prices at which the shares are transacted; and
- GGG has a history of losses therefore we consider the capitalisation of maintainable earnings method is not appropriate as there is no basis to determine future maintainable earnings.

We have also considered the net asset backing method as a cross-check.

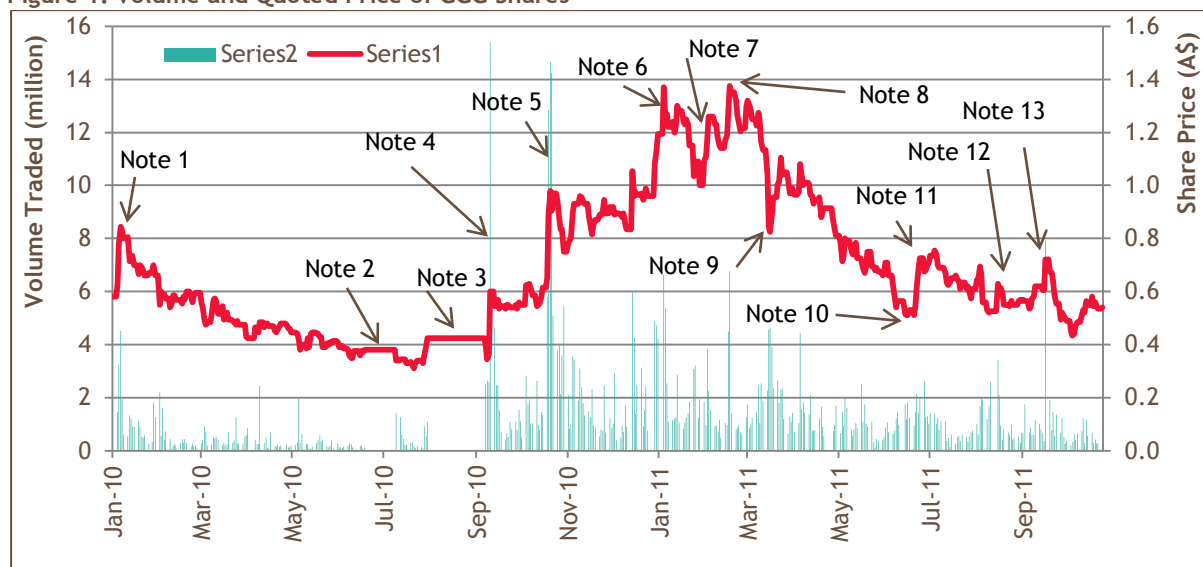
6.2 Quoted Market Price

In assessing the value of GGG Shares using the quoted market price methodology, we have considered the following.

Share Price and Volume History

The following figure shows the daily closing share price on the ASX and trading volume of GGG shares from 1 January 2010 to the LPD:

Figure 1: Volume and Quoted Price of GGG Shares



Source: Bloomberg

The key announcements made by GGG during the period from 1 January 2010 to the LPD include the following:

Table 14: Key GGG announcements

Date	Note	Announcement
4 Jan 2010		GGG views the Greenlandic Mineral Resources Act which came into effect on 1 January 2010 to be a key milestone for the self-rule of Greenland including the complete handover of mineral and oil rights from Denmark to Greenland.
6 Jan 2010	1	Response to ASX query regarding the spike in share price with reference to: • previous announcement on the Mineral Resources Act (4 January 2010); and • announcement foreshadowing the release of the pre-feasibility study into the Kvanefjeld Project (18 December 2009).
1 Feb 2010		Interim pre-feasibility report into the Kvanefjeld Project completed
21 Jun to 8 Jul 2010	2	Trading halt to announce GGG securing funding through equity placement to sophisticated and overseas investors of \$6 million and a \$15 million equity facility with YA Global Investments. Funds are to be used for ongoing development programs on the Kvanefjeld Project.
27 Aug 2010		Westrip declines GGG's requests to withdraw their purported termination notice on the 11 and 20 August 2010.
2 Aug to 7 Sep 2010	3	Trading halt to announce, among others, confirmation from the Greenlandic Minister for Industry and Mineral Resources by GGG that: • the existing zero tolerance policy is still in place; • GGG's EL 2010/02 is in good standing; and • the Greenlandic Government's decision to permit mining will be dependent upon GGG's detailed feasibility study, with an emphasis on environmental and social impact assessments.

10 Sep 2010	4	Greenland Government makes amendment to <i>Standard Terms for Exploration Licenses</i> in Greenland, allowing for, at the Government's discretion, the inclusion of radioactive elements as exploitable minerals for the purpose of thorough evaluation and reporting. This allows GGG to proceed with developing the Kvanefjeld Project via the completion of a definitive feasibility study.
19 Oct 2010	5	Response to ASX query on spike in share price with reference to: • recent rare earth price increase; and • previous announcement on changes to exploration license terms (10 September 2010).
18 Jan 2011	6	GGG reports new drill intercepts of REEs, uranium and zinc. The three main target areas have been identified and named Steenstrupfjeld, Zone 2 and Zone 3.
1 Feb 2011	7	GGG awards contracts for social and environmental studies to internationally-recognised consultancy firms.
17 Feb 2011	8	GGG confirms discovery of a second substantial new multi-element deposit of REEs, uranium and zinc in 'Zone 2' in the northern Ilimaussaq Complex in Greenland. Zone 2 offers the potential to significantly add to the resource base at Kvanefjeld at the upper end of the grade range.
14 Mar 2011	9	GMS served a writ by Westrip on the grounds that Westrip had been unfairly prejudiced by GMS in relation to a 23 November 2010 EGM of GMS.
23 Mar 2011		Reported an increase in JORC compliant resource estimate for the Kvanefjeld Project.
15 Jun 2011	10	Update on operational activities in Greenland.
21 Jun 2011		Technical update on the Kvanefjeld Project regarding positive results from beneficiation testwork REE and REE leach studies to improve REE recoveries.
29 Jun 2011	11	Resolutions for the EGM of GGG requisitioned by Westrip in May 2011 to, inter alia, replace certain Directors of the Company, were defeated.
15 Aug 2011	12	GGG finalised the terms of an agreement with Westrip and Rimbal to acquire the remaining 39% equity interest in GMS.
13 Sep 2011	13	Announcement of the half year financial results of GGG

Source: ASX Announcements

Trading Liquidity on the ASX

An analysis of the volume of trading in GGG Shares on ASX over the period to the LPD is set out below:

Table 15: GGG share trading in the period up to the LPD

Period	Closing Share Price (Low) \$	Closing Share Price (High) \$	Value Traded (\$ mill)	Cumulative volume (mill)	VWAP (\$)	% of shares ¹
5-day	0.57	0.59	1.3	2.2	0.57	0.5%
1 month	0.50	0.59	5.7	10.2	0.56	2.5%
3 months	0.44	0.72	28.8	49.3	0.58	12.0%
6 months	0.44	0.76	70.4	115.4	0.61	29.2%
12 months	0.44	1.38	298.3	331.3	0.90	94.4%
18 months	0.31	1.38	423.5	501.6	0.84	158.6%

Source: Bloomberg, BDO Securities Analysis

Notes:

¹ Number of issued shares is calculated as the weighted average GGG shares on issue over the relevant periods

The table above shows that GGG's share trading activity for the 12 months up to the LPD, represented approximately 94.4% of shares on issue. The volume of trading in the last 12 months is in conjunction with the exercise of a significant number of options. As at 31 December 2010, GGG had 115.7 million options with an expiry date of 30 June 2011 which were issued in 2007 as part of the acquisition of 61% interest in Kvanefjeld Project by GGG. During the 6 months ended 30 June 2011, all except for 0.56 million of these options on issue on 31 December 2010 were exercised at an exercise price of \$0.20 per share.

We note that recent trading activities in GGG shares have been low with trading for the 5-day and 1-month up to LPD represented approximately 0.5% and 2.5% of shares on issue respectively.

Based on the above, we consider the level of trading of GGG Shares to be low to moderate.

In respect of the share price and trading activity of GGG Shares, we make the following additional comments:

- The closing share price of GGG Shares as at the LPD was \$0.57;
- The 5-day, 1 month and 3 month VWAPs were \$0.57, \$0.56 and \$0.58 respectively for the period up to and including the LPD;
- The low and high closing share price were \$0.44 and \$0.72 respectively for the 3 months up to and including the LPD;
- We note that the spike in price and trading volume on 16 September 2011 followed the announcement of GGG's half-year results up to 30 June 2011 on 13 September 2011;
- We note the exercise of a significant number of options between 31 December 2010 and the expiry date of the options of 30 June 2011 at an exercise price of \$0.20 per share coincided with the higher trading activity during the period. The number of GGG Shares on issue increased from 288.7 million as at 31 December 2010 to 401.4 million as at 30 June 2011; and

- We note that when GGG acquired 61% interest in the Kvanefjeld Project in 2007, the terms of the acquisition were announced through the ASX including the option by GGG to acquire the remaining 39% interest in GMS not held by it for \$60 million. This was followed by the announcement of the Proposed Westrip Transaction in August 2011. It is unclear whether the market price of GGG Shares reflects GGG's ownership of a 61% or 100% interest in the Kvanefjeld Project.

Based on the above factors, we have assessed the value of a GGG Share to be between \$0.55 and \$0.65 per share using the quoted market price methodology.

The quoted market share price usually represents the value for a minority interest. A minority interest is an interest in the company which is not significant enough to have individual influence on the operations of that company.

Typically a control premium (defined as the higher price paid for a controlling shareholding relative to the price paid or likely to be paid for a minority shareholding) is paid where an offer is made to acquire more than 50% of a company's shares. In general, the premium observed represents two elements - a pure control premium, and the expected synergy benefits, some of which the acquirer is prepared to pay to the target shareholders. Further, a controlling shareholding of a company generally has influence over company matters such as operating and corporate strategy and distribution policy.

Upon completion of the Proposed Transaction (and assuming that the Proposed Westrip Transaction is completed and settlement has occurred under the terms of the Deeds of Settlement), the voting interest of GCM Nominees will increase from 8.5% to 12.0% on an undiluted basis, and 11.9% on a diluted basis (excluding the impact of additional GGG shares to be issued, if any, to fully / partially fund the cash portion of the settlement amount under the terms of the Deeds of Settlement). We do not consider the increase in GCM Nominees' shareholding in GGG to represent a control transaction under Regulatory Guide 111. Therefore, we have not included a control premium in assessing the value of a GGG Share using the quoted market price methodology.

6.3 Valuation Cross-check

Net asset backing method

We have also adopted the net asset backing method as a cross-check methodology.

In assessing the value of GGG Shares under this method, we have assessed the fair market value of the underlying net assets of GGG. We have undertaken this assessment based on the reviewed half-year accounts of GGG as at 30 June 2011. The management of GGG is unaware of any material movements in the financial position of GGG between 30 June 2011 and the date of our report.

Our assessed fair market value of GGG assuming that the Proposed Westrip Transaction is completed (i.e. GGG has 100% equity interest in GMS) is set out below. We have also assumed that settlement has occurred under the terms of the Deeds of Settlement.

Table 16: Net-asset backing cross-check

	Assuming After the Proposed Westrip Transaction and settlement under the Deeds of Settlement		Note
	Low	High	
Book Value of Net Assets at 30 June 2011 (\$'000)	65,234	65,234	
Less: Book value of exploration and evaluation expenditure (\$'000)	(41,969)	(41,969)	1
Add: Fair value of exploration and evaluation expenditure (\$'000)	128,412	288,350	1
Settlement under the Deeds of Settlement (cash portion) (\$'000)	(39,000)	(39,000)	2
Fair Market Value of Net Assets (\$'000)	112,677	272,615	
Number of GGG Shares ('000)	418,233	418,233	3
Fair Market Value / share (\$)	0.27	0.65	

Source: BDO Securities Analysis

Note 1: Revaluation of exploration and evaluation expenditure

The book value of the GGG exploration and evaluation expenditure as at 30 June 2011 is \$42.0 million, comprising almost entirely of the Kvanefjeld Project.

McKnight and Glanville have assessed the value of a 3% Royalty Interest (or equivalent to a working interest in the Project of 5.25%) in the Kvanefjeld Project of GGG to be in the range of \$7.4 million to \$16.6 million, with a preferred value of \$12.0 million.

Therefore, the implied value of 100% working interest in the Kvanefjeld Project (on a pre-royalty basis) is \$140.7 million to \$316.0 million, with a midpoint value of \$228.4 million.

As set out in the McKnight and Glanville Report, a royalty interest of 5% is equivalent to a working interest of 8.75%. Therefore, the implied value of 100% working interest in the Kvanefjeld Project (on a post-royalty basis) is \$128.4 million to \$288.4 million, with a midpoint value of \$208.4 million.

Accordingly, we have made an adjustment to reflect the value of 100% working interest in the Kvanefjeld Project (on a post-royalty basis) assuming that the Proposed Westrip Transaction is completed.

In assessing the value of the exploration and evaluation expenditure of GGG, we make the following additional comments:

- We have assumed that the exploration and evaluation expenditure comprise entirely of the Kvanefjeld Project;
- We note that pursuant to the terms of the Deeds of Settlement, GGG will among others, pay a settlement amount comprising \$39 million in cash, 7,825,000 GGG Shares and 5,000,000 GGG options, and acquire 39% equity interest in GMS.

As the settlement amount payable by GGG under the Deeds of Settlement may include factors other than the Proposed Westrip Transaction and based on discussions with Management, we do not consider the settlement amount to represent the fair market value of a 39% equity interest in GMS. Therefore, we have not relied on the value of the Kvanefjeld Project implied by the settlement amount payable in assessing the value of the Project.

Note 2: Settlement under the Deeds of Settlement (cash portion)

This represents the cash portion of the settlement amount payable by GGG under the terms of the Deeds of Settlement.

Note 3: Number of GGG Shares

The total number of GGG Shares is based on the number of shares on issue of 410.4 million plus the number of GGG Shares proposed to be issued pursuant to the terms of the Deed of Settlement with the Westrip Minority Shareholders of 7,825,000 GGG Shares.

The total number of GGG Shares does not include the 5 million GGG options proposed to be issued pursuant to the terms of the Deed of Settlement with the Westrip Minority Shareholders, or the additional GGG shares that may be issued, if any, to fully / partially fund the cash portion of the settlement amount under the terms of the Deeds of Settlement. We have also not included the Company's performance rights, performance shares and options on issue. We note that the performance rights and performance shares are out-of-the-money (based on the share price of GGG as traded on the ASX as at the LPD).

We also make the following comments:

- GGG holds listed options in an ASX-listed company and an investment in an unlisted Greenlandic entity. Management advised that there has been no material movement in the value of these investments between 30 June 2011 and the date of our report. Therefore, we have assumed that the net book value of these investments approximate their fair market values;
- We have not ascribed any value to GGG's carried forward tax losses as it is uncertain whether GGG will have sufficient taxable income in the future to utilise these tax losses;
- Apart from the adjustments noted above, we have assumed that the book value of the other assets and liabilities of GGG approximate their fair market values.

Based on the GGG net asset backing, the fair market value of a GGG Share is assessed to be between \$0.27 and \$0.65 per share on an undiluted basis. On a diluted basis, assuming the exercise of the 5,000,000 options to be issued pursuant to the terms of the Deed of Settlement with the Westrip Minority Shareholders (at an exercise price of \$1.50 per share) and the 750,000 GGG options on issue (at an exercise price of \$0.25 per share), the fair market value of the GGG Shares is assessed to be between \$0.28 and \$0.66 per share.

We note that the assessed value of a GGG Share based on the net asset backing methodology above is on a control basis.

6.4 Valuation Summary

We note that our assessment of the value of a GGG Share using the quoted market price methodology of between \$0.55 and \$0.65 per share (on a minority basis) is higher (on the lower end of the range) than our assessment of the value of a GGG Share using the net asset backing methodology of \$0.27 and \$0.65 per share (on a control basis). We note further that the assessed value of a GGG Share based on the net asset backing methodology would be lower if a minority discount is imputed to take into consideration GCM Nominees' non-controlling interest in GGG after the Proposed Transaction (and completion of the Proposed Westrip Transaction).

We note that the value of GGG Shares using the net asset backing methodology does not reflect the future earnings potential of the Company.

Based on the above and considering the purpose of our report, we have adopted the quoted market price as our primary methodology and consider the fair market value of GGG shares to be between \$0.55 and \$0.65 (on a minority basis).

The fair market value of the Purchase Consideration is assessed to be as follows:

Table 17: Valuation of Purchase Consideration

	Low	High	Mid Point
Fair Market Value of GGG (\$/share)	\$0.55	\$0.65	\$0.60
Number of shares to be issued (million)	17.5	17.5	17.5
Value of Purchase Consideration (\$ million)	\$9.6	\$11.4	\$10.5

8. Assessment of the Proposed Transaction

In assessing whether we consider the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered the following factors:

- comparing the value of the consideration payable by GGG to Hackleton (i.e. 17,500,000 GGG Shares), with the value of the 3% Royalty Interest to be acquired;
- advantages and disadvantages associated with the Proposed Transaction;
- implications if the Proposed Transaction is not approved; and
- other significant matters associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders.

8.1 Assessment of Fairness

We have assessed whether or not the Proposed Transaction is fair to the Non-Associated Shareholders by comparing the value of the Purchase Consideration payable by GGG to Hackleton (i.e. 17,500,000 GGG shares), with the value of the 3% Royalty Interest to be acquired.

This is set out in the table below:

Table 18: Assessment of the Fairness of the Proposed Transaction

(\$'million)	Reference	Low	High	Mid-point/ Preferred value
Value of the 3% Royalty Interest to be acquired ¹	Section 5	7.4	16.6	12.0
Value of the Purchase Consideration ^{1,2}	Section 6	9.6	11.4	10.5

Source: BDO Securities Analysis

Notes:

¹ In arriving at our range of values for the 3% Royalty Interest, we have placed reliance on the McKnight and Glanville Report.

We have also considered the value of a 100% working interest in the Kvanefjeld Project implied by the value of the 3% Royalty Interest assessed by McKnight and Glanville in assessing the value of a GGG Share to arrive at our range of values for the Purchase Consideration.

The McKnight and Glanville Report is attached as **Appendix D**.

² We have assessed the value of a GGG Share and therefore, the Purchase Consideration assuming that the Proposed Westrip Transaction is completed and GGG has 100% equity interest in GMS.

As shown above, the assessed mid-point value of the Purchase Consideration to be paid by GGG to Hackleton is below the preferred value of the 3% Royalty Interest assessed by McKnight and Glanville.

We note that at the low end of the valuation range, the value of the Purchase Consideration is above the value of the 3% Royalty Interest. However, this is due in part to the wide range in values assessed by McKnight and Glanville (at the high end the value of the Purchase Consideration is below the value of the 3% Royalty Interest). McKnight and Glanville have noted that "such a wide range in values is not unusual for interests in exploration and development properties at the stage and location of the Kvanefjeld Project and similarly for royalty interests in them.

We note that GGG's key exploration asset is the Kvanefjeld Project. Therefore, the value of GGG Shares fundamentally reflects the value of the Kvanefjeld Project and by extension, the potential net profits generated by the Project. As such, the Kvanefjeld Project is the key driver of value for both the Purchase Consideration (i.e. the 17,500,000 GGG Shares to be issued to Hackleton) and the 3% Royalty Interest to be acquired. Given this interdependency, the value of the Purchase Consideration is expected to move in tandem with any changes in the value of the 3% Royalty Interest.

Based on the above, it is our opinion that the Proposed Transaction is considered to be fair to the Non-Associated Shareholders.

8.2 Assessment of Reasonableness

Regulatory Guide 111 considers an offer to be reasonable if:

- The offer is fair; or
- Despite not being fair, but considering other significant factors, Non-Associated Shareholders should accept the Proposed Transaction in the absence of any superior offer.

Given our conclusion that the Proposed Transaction is fair, the Proposed Transaction is reasonable.

Notwithstanding this, in accordance with our basis of assessment (Section 2.1), we have considered other significant factors to which the Non-Associated Shareholders might give consideration prior to approving the Proposed Transaction as set out the following advantages and disadvantages.

Advantages of the Proposed Transaction

The below table sets out potential advantages of the Proposed Transaction to the Non-Associated Shareholders:

Table 19: Advantages to Non-Associated Shareholders if the Proposed Transaction Proceeds

Advantage	Description
Access to additional income stream	If the Kvanefjeld Project generates net profit from exploitation of minerals in future, GGG would have access to additional periodic cash flows from the 3% Royalty Interest payable by its subsidiary. However, given that the Kvanefjeld Project is currently at exploration stage, there is no guarantee that GMS will be able to successfully exploit the Project in future. Any material change in the estimate of mineral resources, reserves, grade or rare earth / uranium / zinc prices may affect the economic viability of the Project. Further, development and operational costs may be deemed too onerous for the project to be continued.
Greater control over subsidiary	The Proposed Transaction allows GGG to gain greater control over the cash flows of its subsidiary, GMS, which may better facilitate any potential disposal of GMS by GGG in future.

Source: BDO Securities Analysis

Disadvantages of the Proposed Transaction

The below table sets out potential disadvantages to the Non-Associated Shareholders if the Proposed Transaction proceeds.

Table 20: Disadvantages to Non-Associated Shareholders if the Proposed Transaction Proceeds

Disadvantage	Description
Dilution of Shareholding	Following the Proposed Transaction (and assuming that the Proposed Westrip Transaction is completed and settlement occurring under the terms of the Deeds of Settlement), the voting interest of the Non-Associated Shareholders in GGG would decrease from 91.5% to 88.0% on an undiluted basis.

Source: BDO Securities Analysis

If the Proposed Transaction does not proceed

Table 21: If the Proposed Transaction does not proceed

Consideration	Description
Potential increase or decline in share price	The last trading price of GGG Shares on the ASX on the LPD was \$0.57 per share. We note that GGG has yet to announce the Proposed Transaction as at the date of this report. Therefore, there is no indication at this stage of the market reaction (if any) to the Proposed Transaction. The share price of GGG as traded on the ASX may increase or decrease post the announcement of the Proposed Transaction and GGG shareholders' decision on whether to approve the Proposed Transaction at the forthcoming general meeting to be convened.
Transaction costs incurred	Management estimates the Company have incurred / will incur approximately \$80,000 of costs in relation to the Proposed Transaction including advisory fees which will not be refundable in the event the Proposed Transaction does not proceed.

Source: BDO Securities Analysis

Impact on shareholding

Based on the terms of the Proposed Transaction, Hackleton will be issued 17,500,000 GGG Shares as consideration for the 3% Royalty Interest to be acquired.

Upon completion of the Proposed Transaction (and assuming that the Proposed Westrip Transaction is completed and settlement occurring under the terms of the Deeds of Settlement), the voting interest of the Non-Associated Shareholders will reduce from 91.5% to 88.0% on an undiluted basis, and 88.1% on a diluted basis as set out below:

Table 22: Impact on shareholding

	As at 24 Oct 2011		Proforma					
			After the Proposed Westrip Transaction and settlement under the Deeds of Settlement (A)		After (A) and the Proposed Transaction		After (A) and the Proposed Transaction	
	No. of shares ('000)	% held	(Un-diluted)		(Un-diluted)		(Diluted)	
			No. of shares ('000)	% held	No. of shares ('000)	% held	No. of shares ('000)	% held
GCM Nominees and associates	35,000	8.5%	35,000	8.4%	52,500	12.0%	52,500	11.9%
Non-Associated Shareholders	375,408	91.5%	383,233	91.6%	383,233	88.0%	388,983	88.1%
Total	410,408	100.0%	418,233	100.0%	435,733	100.0%	441,483	100.0%

Source: Management, BDO Securities Analysis

The proforma undiluted number of shares assumes the issue of 7,825,000 GGG Shares pursuant to the terms of the Deed of Settlement with the Westrip Minority Shareholders and 17,500,000 GGG Shares to Hackleton as consideration for the 3% Royalty Interest to be acquired. As settlement under the terms of the Deeds of Settlement have yet to occur, we have not considered the proforma impact of additional GGG Shares that may be issued, if any, to fully / partially fund the cash portion of the settlement amount. We note that any issue of such additional GGG Shares will dilute the shareholdings of both GCM Nominees and the Non-Associated Shareholders.

The proforma diluted number of shares assumes that the 5,000,000 GGG options to be issued as part of the Deed of Settlement with the Westrip Minority Shareholders, and the 750,000 GGG options on issue are exercised. We have not included GGG's performance rights and performance shares. We note that the performance rights and performance shares are out-of-the-money (based on the share price of GGG as traded on the ASX as at the LPD).

Impact on financial position

Based on the proforma financial position of GGG set out in the Explanatory Statement in relation to the Proposed Transaction, the proforma net assets of GGG will be \$61.88 million before and after the Proposed Transaction (and assuming the Proposed Westrip Transaction is completed), representing a decrease in proforma net assets per share from \$0.15 to \$0.14 on an undiluted basis.

As settlement under the terms of the Deeds of Settlement have yet to occur, we have not considered the proforma impact of additional GGG Shares that may be issued, if any, to fully / partially fund the cash portion of the settlement amount.

8.3 Conclusion on the Assessment of the Proposed Transaction

After considering all of the above factors, in BDO Securities' opinion, the potential advantages of the Proposed Transaction outweigh the potential disadvantages, risks and costs and Non-Associated Shareholders are on balance, likely to be better off if the Proposed Transaction proceeds.

Accordingly, on balance, BDO Securities is of the opinion that **the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.**

Appendix A - Qualification, Limitation and Consent

This report is not intended for general circulation or publication, nor is it to be reproduced or used for any purpose other than that outlined in this report without our prior written permission. We do not assume any responsibility or liability for losses, occasioned to you or other parties, as a result of circulation, publication, reproduction or use of this opinion contrary to the provisions of this paragraph.

Statements and opinions contained in this report are given in good faith and, in the preparation of this report, BDO Securities has relied upon the information provided by GGG that has been publicly issued, and believes, on reasonable grounds, to be reliable, complete and not misleading. BDO Securities does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

Furthermore, recognising that BDO Securities may rely on information provided by GGG and their officers and/or associates, GGG has agreed to make no claim against BDO Securities to recover any loss or damage which GGG may suffer as a result of that reliance and also has agreed to indemnify BDO Securities against any claim arising out of the assignment to give this report, except where the claim has arisen as a result of any proven willful misconduct by BDO Securities.

An advance draft of this report was provided to GGG for review of factual matters. Certain changes were made to the factual contents of the report as a result of comments received. There were no alterations to the methodology adopted or our conclusions as a result of circulating the draft report.

BDO Securities is the licensed corporate advisory business of BDO (NSW-VIC) Pty Ltd. BDO provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities.

The directors of BDO Securities principally involved in the preparation of this report were Michael Smith BBus(Acc), CA and Phillip Rundle B COM, FCA, GAICD, F.Fin.. Michael and Phillip have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports. Michael and Phillip are representatives of BDO Securities.

BDO Securities consents to the inclusion of this IER by GGG in the Explanatory Statement in the form and content that it is included. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of BDO Securities to the form and context in which it appears.

In 2007, BDO Consultants (WA) Pty Ltd was engaged by GGG to prepare an independent expert's report in relation to the proposed acquisition of 100% equity interest in Chahood and an immediate 61% joint venture interest with Westrip. The proposed transaction was completed in 2007.

In 2009, BDO Kendalls Corporate Finance (WA) Pty Ltd was engaged by GGG to prepare an independent expert's report in relation to the proposed acquisition of a 4% royalty interest from Hackleton. The proposed acquisition of the 4% royalty interest did not proceed and is related to the Proposed Transaction which is the subject of this report.

We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Neither BDO Securities, nor any director, executive or employee thereof has any financial interest in the outcome of the Proposed Transaction which could be considered to affect our ability to render an unbiased opinion in this report. Neither BDO Securities nor the authors of this report have any interest in the outcome of the Proposed Transaction. BDO Securities is entitled to receive a fee of approximately \$40,000 from the Company based on normal professional hourly rates for the time taken in respect of the preparation of this report. The fee will be paid regardless of whether or not the Proposed Transaction is approved by shareholders. BDO Securities considers itself to be independent in terms of Regulatory Guide 112.

Appendix B - Sources of Information Relied Upon in this Report

In preparing this report and arriving at our opinion, we have used and relied upon the following sources of information:

- Draft Notice of General Meeting dated 24 November 2011;
- Notice of General Meeting and Explanatory Statement for the General Meeting of Shareholders of GGG held on 7 October 2011;
- McKnight and Glanville Independent Valuation Report dated 4 November 2011;
- GGG shareholders listing as at 29 September 2011;
- Restructuring of Royalty Deed between GGG, GMS and Hackleton dated 2 December 2011;
- Royalty Deed between GGG and GMS dated 2 December 2011;
- Royalty Deed between GGG, GMS and Hackleton dated 2 December 2011;
- Royalty Deed between GGG, GMS and Exchange Minerals dated 2 December 2011;
- Annual Report for GGG for FY2009, FY2010;
- Financial report of GGG for the half-year ended 30 June 2011;
- ASX announcements;
- Bloomberg;
- U.S. Geological Survey, Mineral Commodity Summaries, January 2011;
- RB Milestone Group Analyst Report 22 June 2011;
- Discussions with the Management of GGG;
- Discussions with McKnight and Glanville; and
- Other publicly available information.

Appendix C - Valuation methodologies

Capitalisation of Maintainable Earnings

This requires consideration of the following factors:

- estimation of future maintainable earnings having regard to historic and forecast operating results, including sensitivity to key industry risk factors, future growth prospects, and the general economic outlook;
- determination of an appropriate capitalisation rate which will reflect a purchaser's required rate of return, risks inherent in the business, future growth expectations and alternative investment opportunities; and
- a separate assessment of surplus or unrelated assets and liabilities, being those items that are not essential to producing the estimated future earnings.

This methodology is a surrogate for a discounted cash flow valuation. It is typically employed where a company has mature operations with a history of profits and an expectation that these will be maintained at similar levels in the future.

Discounted Cash Flow Based Valuation

This methodology determines the present value of the net cash flows that are expected to be derived from future activities. These future cash flows are discounted to current values by recognising both the risk of their receipt and the time value of money using a suitable discount rate. We consider this methodology to be the most appropriate method in the calculation of the value where there is adequate information about likely future cash flows, usually over a finite term.

Asset-based Valuation

In the absence of reliable forecasts for future cash flows or earnings, the net asset value of a company can be a reliable indicator of the minimum value for the company.

There are three primary asset based methodologies:

Orderly Realisation of Assets Basis

This involves the determination of the net realisable value of the assets of the business or company assuming an orderly realisation of those assets. This value includes a reduction in value to allow for the reasonable costs of carrying out the sale of assets and for the time value of money.

This approach is appropriate where the business or company concerned is not generating adequate returns and in certain circumstances where there are surplus non-operating assets.

Forced Sale Basis

This involves assets being sold at values materially different from their fair market value. This approach is appropriate when there is an event such as a liquidity crisis or formal administration or liquidation appointment requiring the assets to be realised in a short timeframe.

Going Concern Basis

This is appropriate for valuing an investment company, where the majority of its value lies in investments in other assets or entities, such as a private equity company or listed investment vehicle.

Comparable Market Value

This methodology requires research to ascertain details of any comparable companies in the same industry for a similar company to that being valued. If such companies exist and the company being valued is directly comparable to that being acquired then the assets, revenue or earnings multiples, or other measures employed in the actual transaction, can be utilised in the valuation. The difficulty with this methodology is the sourcing of sufficient information to accurately analyse the consideration paid and to establish the comparability of the two companies.

Quoted Market Price Valuation

An alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX through which shares can be traded, recent prices at which shares are bought and sold can be taken as the market value per share. With the advent of continuous disclosure, such market value should include all factors and influences that impact upon the ASX price. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security. Shares in a company normally trade at a discount to the underlying value of the company as a whole, reflecting the fact that portfolio shareholdings do not give shareholders management control or direct access to cash flows. In the absence of a deep, well informed market exhibiting good liquidity, this method has significant limitations.

Appendix D - McKnight and Glanville valuation report

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4 November, 2011

BDO Securities (NSW-VIC) Pty Ltd
Level 30, 525 Collins Street
Melbourne, Victoria 3000
AUSTRALIA

Attention: Michael Smith

Dear Sir:

**Re: Independent Valuation Report of a 3% Royalty Interest in
Greenland Minerals and Energy Limited's Kvanefjeld REE-U-Zn
Project in southern Greenland**

Executive Summary

Greenland Minerals and Energy Limited ("GMEL") is an active mineral exploration company (based in Perth, Australia) who's securities trade on the Australian Securities Exchange (ASX), and with its trading symbol being GGG. It is also listed on the US OTC (GDLNF) and Frankfurt (G7P). The Company is focused on exploration in Greenland, with its flagship project being the Kvanefjeld rare earth elements, uranium, and zinc project located near the town of Narsaq in southern Greenland, only seven km from tide water and 40 km from the international airport at Narsarsuaq.

The Kvanefjeld Project the ("Project") is focused on rare earth elements ("REEs") as well as uranium and zinc mineralization hosted mainly within an unusual form of nepheline syenite called *Lujavrite*, which is contained within alkaline intrusives of the Northern Ilimaussaq

Complex. The Company currently holds a 61% interest¹ in Exploration Licence (“EL”) 2010/02 which covers the Kvanefjeld Deposit and satellite prospects; it also holds a 100% interest in ELs 2011/26 and 2011/27 which surround the Kvanefjeld Deposit; as well as having off-take rights for Lujavrite for EL 2010/24. The Royalty interest only pertains to EL 2010/02. The Company holdings comprise a total area of approximately 8,000 hectares (“ha”). The Kvanefjeld Deposit, which is at the Prefeasibility Study stage, has a JORC Code-compliant resource of 619 million tonnes grading 1.06% Total Rare Earth Oxides (“TREO”) plus significant zinc and uranium (at the lowest cut-off grade), and is recognized as one of the largest known REE deposits in the world.

GMEL is in the process of acquiring the remaining 39% interest in the Project that it does not currently own, and as part of this process has agreed to buy a 3% royalty (the “Royalty”) from Hackelton Investments Limited, and has engaged you, BDO Securities (NSW-VIC) Pty Ltd (“BDO” or “BDO Securities”), to prepare an Independent Experts Report (“IER”) to assess the fairness and reasonableness of the Proposed Royalty Purchase. You have requested that McKnight and Glanville prepare an Independent Valuation Report (“VR”) of the 3% Royalty, which will be used as a basis for appraising the fairness of the Proposed Royalty Purchase in your IER.

Glanville and McKnight have prepared a VR which estimates the Fair Market Value of the 3% Royalty interest in the Kvanefjeld Project. For this purpose, Fair Market Value means “The highest price available in an open and unrestricted market between informed and prudent parties, acting at arm’s length and under no compulsion to act, expressed in terms of cash”. An alternative definition of Fair Market Value is “the highest price an asset might reasonably be expected to bring if sold by the owner in the normal method applicable to the asset in question in the ordinary course of business in a market not exposed to any undue stress, and composed of willing buyers and sellers dealing at arm’s length and under no compulsion to buy or sell”. The 3% Royalty is defined as “3% of Net Profit of Greenland Minerals and Energy A/S, the Greenlandic Company 61% owned by GMEL, which holds the Kvanefjeld Project”. Net Profit means “the net profit after taxation, depreciation and abnormal items calculated in accordance with the accounting standards and principles of application in accordance with the laws of Australia”.

In order to provide the VR, Glanville and McKnight reviewed past mineral exploration and development results on the Project; analyzed publicly-listed companies with similar or comparable REE, uranium, and zinc properties; considered other assets of GMEL, including its working capital; reviewed several technical reports on the Kvanefjeld Project prepared or compiled by AMEC, Minproc, and others; reviewed prior Valuation Reports and Opinions of Value prepared by Glanville, McKnight, and others; considered valuations (including comparable values per unit of contained or in situ metal) of a number of REE exploration and development projects; read news releases of GMEL; reviewed the website and ASX filings of the Company and similar companies; and reviewed other relevant technical, financial, and

¹The interest is subject to a 5% Royalty interest, which is defined as a carried net profits interest on the Kvanefjeld Project, which includes the Kvanefjeld Deposit and other mineral showings on EL 2010/02

economic factors. Glanville and McKnight have not visited the Kvanefjeld Project, and have not performed independent geological or engineering investigations or title searches.

The valuation of the 3% Royalty was done indirectly, and in two steps; the first step was estimating (based on a number of net present value calculations of the Project and the 3% Royalty interest) the relationship between a percentage Royalty interest and a percentage working interest. This was found to be in the range of 1.5 to 2.0 (that is, a 3% Royalty interest would be equivalent to a working interest ranging from 4.5% to 6.0%). The second step was estimating the value of a 100% working interest in the Project using as many methods as were applicable.

Three main valuation methods that were utilized to estimate the value of the 100% working interest in the Kvanefjeld Project, and indirectly the value of the 3% Royalty interest, include the **adjusted appraised value method**, the **comparable transactions method**, and the **adjusted discounted cash flow approach**. In addition, these results were checked by using the **portion of attributed market capitalization method**. Based on the foregoing valuation methods, the resulting indicated values of the 3% Royalty interest in the Kvanefjeld Project are summarized below:

Summary of Valuations of a 3% Royalty Interest in Kvanefjeld

Method	High	Low	Mid Point
Adjusted Appraised Value	\$20.7 million	\$12.4 million	\$16.6 million
Comparable Transactions Value	\$8.2 million	\$6.6 million	\$7.4 million
DCF Method	\$10.1 million	\$ 6.7 million	\$ 8.4 million
Portion of Market Capitalization			\$12.8 million

Based on the foregoing, and additional analyses set out in this Valuation Report, it is the opinion of Glanville and McKnight that the value of a 3% Royalty interest in the Kvanefjeld Project of Greenland Minerals and Energy Limited is in the range of \$7.4 to \$16.6 million, with a preferred value being \$12.0 million. We also note that this value is supported by that derived from the Portion of Attributed Market Capitalization approach.

We note that such a wide range in values is not unusual for interests in exploration and development properties at the stage and location of the Kvanefjeld Project and similarly for royalty interests in them.

This Valuation Report may be relied upon by BDO Securities and the Board of Directors of GMEL, and has been prepared for the purpose of inclusion in BDO Securities' IER. It may be

provided to the regulators and shareholders if required, but may not be used or relied upon by any other person without express prior written consent of McKnight and Glanville, which may not be unreasonably withheld.

Engagement of Glanville and McKnight

Pursuant to an engagement letter dated August 24th 2011 (the “Engagement Letter”), BDO Securities has retained the services of Glanville and McKnight in connection with the Independent Valuation Report of the 3% Royalty interest in the Kvanefjeld Project. Glanville and McKnight will be paid a fee for their services as financial advisors to BDO Securities, but none of the fee is contingent on the VR. In addition, Glanville and McKnight are to be indemnified in respect of certain liabilities that might arise out of the engagement.

Credentials of Glanville and McKnight

Glanville is a company specializing in valuations of mining companies and mineral resource projects, as well as providing VRs, Opinions of Value and litigation support (such as being an expert witness in court cases involving valuation disputes) related to financial and technical issues. The president, Ross Glanville, graduated from the University of British Columbia in 1970 with a Bachelor of Applied Science Degree (Mining Engineering), and became a member of the Association of Professional Engineers of British Columbia (P.Eng.) in 1972. In 1974, Glanville obtained a Master of Business Administration Degree (MBA), specializing in finance and securities analysis. In 1980, Glanville became a member of the Certified General Accountants of B.C. (CGA). He was also a member of the former Canadian Association of Mineral Valuers.

Glanville has almost 40 years of mineral production and exploration experience in many countries, and has been involved in the exploration, discovery, financing, development, and production of a number of mineral deposits. He was formerly President of Giant Bay Resources Ltd. and Vice President of Wright Engineers Ltd. (now Fluor Corporation), and has been a director of a number of mineral resource companies. He has prepared over eight hundred valuations and fairness opinions; and has written several articles, and given many presentations, related to the valuations of exploration and mining companies. Glanville has provided opinions of value and valuation reports for mergers, amalgamations, and acquisitions of public and private companies. These assignments were undertaken for investment dealers, regulatory bodies (including stock exchanges), banks, various government agencies, venture capital firms, trading companies, mining and exploration companies, oil and gas companies, and others. He has formed public companies (listed on the Toronto Stock Exchange, the Australian Securities Exchange, NASDAQ, and the TSX Venture Exchange), and has served on the Boards of Directors of four companies with producing mines. Glanville has also acted in more than 50 court cases and assessment appeal board hearings in Canada, the U.S.A., Australia, and the U.K. Some of Glanville’s valuation articles were published by the United Nations, the Society of Mining Engineers, and by various Canadian magazines and

newspapers.

Bruce McKnight has a B.A.Sc. in Geological Engineering from the University of B.C., an M.Sc. in Engineering Geoscience from the University of California, Berkeley, a Mineral Economics Diploma from McGill University and an MBA from Simon Fraser University. He is a Member of the Association of Professional Engineers and Geoscientists of British Columbia (P.Eng.) and a Fellow of the Canadian Institute of Mining and Metallurgy (FCIM). McKnight is a former Executive Director of the B.C. and Yukon Chamber of Mines (now renamed Association for Mineral Exploration B.C., or AME BC) and a former Corporate Vice-President of Westmin Resources Limited. He has over 35 years of senior-level, international and domestic, mining industry experience and has been an active participant in the exploration, valuation, financing and development of several mines in British Columbia and elsewhere. In addition, he has acted as a consultant to mining and brokerage firms in the preparation of Opinions of Value and Valuation Reports, as well as an advisor to mining associations and First Nations and as an “expert witness” to law firms.

Independence of Glanville and McKnight

Glanville and McKnight are independent arm’s-length consultants, and are free from current and/or potential conflicts of interest in preparing this VR. They have no direct or indirect, past or current interests in BDO Securities, and in GMEL or related or associated companies, nor do Glanville and McKnight expect to acquire or receive such interests, securities or benefits in future, other than the professional services fees from GMEL for preparing this VR. There are no understandings, agreements or commitments between Glanville, McKnight, and BDO Securities and GMEL, or any of their associates or affiliates with respect to any future business dealings.

Scope of this Review

In order to prepare this VR, Glanville and McKnight reviewed and relied upon, or carried out (as the case may be) the following, among other things:

- GMEL Quarterly Review of Operations for the Period Ended 30 June, 2011
- GMEL Annual Report for the Period ended 31 December 2010
- Mineral Resource Estimation for the Kvanefjeld REE-U-Zn Multi-element Project, Greenland, report prepared for Greenland Minerals and Energy Ltd. by SRK Consulting (Australasia) Pty. Ltd. , West Perth, Australia, May 2011
- Kvanefjeld Multi-Element Project Prefeasibility Study – Interim Report Section 2 – Executive Summary. This report produced by AMEC Minproc included specialty sections prepared by various prominent consulting firms including:
 - Resource definition and mine plans
 - Coffey Mining Pty. Ltd, Hellman and Schofield Pty Ltd.

Metallurgy and Process Development

AMEC Minproc, ANSTO (Australian Nuclear Science and Technology Organisation), SGS Lakefield Orestest, CSIRO, Battery Limits

Environmental Baseline and Environmental Impact Assessment

Coffey Natural Systems Pty. Ltd, Orbicon (Denmark)

Plant Engineering Design, Infrastructure, Capital Development

AMEC Minproc, NIRAS (Denmark)

Marketing

IMCOA (Industrial Minerals Company of Australia Pty Ltd.), WNA (World Nuclear Association), MGMT Group.

- data related to similar or comparable projects
- prior valuation opinions completed by Glanville and McKnight
- correspondence and discussions with directors/officers/management of GMEL and with BDO Securities
- a number of marketing reports related to the supply/demand balance and price outlook for REEs and uranium oxide
- information regarding GMEL filed with ASX and on the Company website
- a number of transactions related to the purchase/sale of mining exploration and development projects
- the trading history of the shares of GMEL
- market capitalizations of listed companies with similar or comparable mineral exploration properties
- working capital of GMEL
- certain industry reports and statistics that McKnight and Glanville deemed appropriate
- such other reviews, calculations, analyses, research and investigations that were deemed appropriate and relevant in the circumstances

Glanville and McKnight have not visited the Kvanefjeld Project of GMEL for purposes of this VR, and have not performed independent geological or engineering investigations or title searches.

Key Assumptions and Limitations

This VR has been prepared in accordance with the requirements of the VALMIN code (2005) as adopted by the Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”).

In providing this VR, Glanville and McKnight assumed and relied upon the accuracy and completeness of all technical, financial, and other information furnished to them by GMEL and its consultants and representatives. They have not undertaken any specific independent verification of such information (although data were reviewed to determine their “reasonableness”). However, Glanville and McKnight have no reason to believe that the information provided to them is not accurate or complete, and have not been denied access to any information that they requested from the management of GMEL. Glanville and McKnight

decided upon the methodologies to be utilized in this VR, and did not request or receive suggestions from the management of BDO Securities or GMEL as to the methodologies that might have been utilized. Glanville and McKnight have relied upon technical reports, discussions with executives and officers of GMEL, and other information provided by management/directors.

This VR is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof, and the conditions and prospects, financial and otherwise, of GMEL as they are reflected in the information, data and other material (financial or otherwise) reviewed by Glanville and McKnight as they were represented to them in their discussions with management of GMEL. Glanville and McKnight have assumed that the Australian, American and Canadian dollars are at par for the purposes of this VR and so for Australian purposes the value of the Royalty can be considered to be in Australian dollars. They have made assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved with the properties. Although it is believed that these assumptions are reasonable with respect to GMEL (and the industry in which it currently operates), to the extent they are incorrect, they may affect their view as to the valuation of the Company.

It should be noted that this report is a Valuation Report or an opinion of value, not an Independent Technical Assessment or Report. As a result, Glanville and McKnight have only provided brief summaries of the information contained in the technical reports and exploration summaries. Those reports contain details regarding geology, mineralization, resources, mining plans, metallurgy, environmental assessments, prefeasibility studies, Exploration License locations and conditions, detailed agreements, exploration and development histories and proposed exploration and development plans. Glanville and McKnight have not carried out independent geological or engineering investigations or title searches/reviews related to GMEL's Kvanefjeld Project. McKnight and Glanville are independent arm's-length consultants, and are free from current and/or potential conflicts of interest in preparing this VR.

BDO Securities has indemnified McKnight and Glanville against any claims in connection with the performance of this agreement. McKnight and Glanville acknowledge that this indemnity is provided by BDO Securities to McKnight and Glanville based on the indemnity provided in BDO Securities' engagement letter with GMEL.

Glanville and McKnight have not conducted a review of the mineral titles, ownership, or environmental obligations, and consequently Glanville and McKnight have not expressed any opinion on these subjects. Glanville and McKnight do not accept any responsibility for errors or omissions pertaining to information provided by BDO Securities and GMEL, or their lawyers, directors, agents, or other related parties.

Glanville and McKnight reserve the right to amend or withdraw this VR in certain circumstances, including in the event that there occurs a material change of facts or representations upon which Glanville and McKnight relied, or in the event that Glanville and

McKnight reasonably conclude that the information provided or any representation upon which they relied contains an untrue statement of material fact or omits to state a material fact that, in their reasonable opinion, would make this VR untrue or inaccurate in any material respect. However, Glanville and McKnight are under no obligation to make any subsequent changes or provide notification to anyone of such changes to the information. BDO Securities and the management and directors of GMEL should inform Glanville and McKnight if anything in this VR is, in their opinion, inaccurate or misleading in any way.

McKnight and Glanville believe that their analyses must be considered as a whole, and that selecting portions of their analyses or the factors considered by them, without considering all factors and analyses together, could create a misleading view of the process underlying the VR. The preparation of a Valuation Report is a complicated process, and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Kvanefjeld Project²

GMEL's Kvanefjeld Project is focused on exploring, evaluating and potentially developing a substantial mining and mineral processing operation based on a large REE plus uranium and zinc deposit. The mineralization is contained within black lujavrites and red-white-black karkortokites, rare forms of nepheline syenite, which have formed in a thick, near-surface, magmatic intrusive layers located near Narsaq, in southern Greenland. The mineralization also contains sodium fluoride. The Company holds an indirect 61% interest in Exploration License ("EL") 2010/02 which covers four of the Kvanefjeld mineralized areas and comprises a total area of approximately 8,000 hectares ("ha") It also holds 100% of ELs 2011/26, and 2011/27 which surround the Ilimaussaq Complex and has lujavrite off-take rights for EL 2010/24 located to the south of the Kvanefjeld Project. The Kvanefjeld Project is situated on an incised plateau region, up to 600 m in altitude, 7 km from the nearest town of Narsaq and the nearest coastal fjord, and approximately 40 km (straight-line distance) from the international airport at Narsarsuaq. The Project is also subject to a 5% Royalty, which is defined as a 5% carried net profits interest.

Exploration History

The earliest geological mapping of the Ilimaussaq Complex was carried out by the Greenland Geological Survey ("GGU") during the 1950s. The Kvanefjeld uranium deposit was discovered by radiometric surveying in 1956 and follow-up work by Risø DTU³ (assisted by GGU), including drilling of 36 diamond drill holes for 3,728 metres ("m"), which was

² Most of the material in this section of this report came from a report entitled "Kvanefjeld Multi-Element Project Prefeasibility Study – Interim Report Section 2 – Executive Summary" by AMEC Minproc and a group of internationally recognized consulting firms and dated December 2009.

³ Danish National Laboratory for Sustainable Energy

completed in 1958. Further drilling campaigns during 1962 to 1977 resulted in 40 additional diamond drill holes totalling 19,926 m.

Risø continued work in 1979/80 with the driving of two adits, totalling 1020 m in length, to provide bulk samples for metallurgical testing – carried out as part of a prefeasibility study. However, at that time the Greenlandic government voted against exploitation of uranium, and Risø discontinued the project.

During the period 1980 to 2000 there was a strong increase in Greenlandic exploration activity as the demand and prices for uranium, tantalum, and REEs increased. Several companies, including Carl Nielson A/S, Highwood Resources, Mineral Developments International A/S, and First Development International A/S were active.

In 2001, Rimbal Pty. Ltd. acquired tenure over the southern section of the Ilimaussaq intrusion, and carried out detailed channel sampling of tantalum, niobium and zirconium mineralization, and then in 2005 added a tenure covering the northern portion of the Ilimaussaq intrusion and continued the detailed sampling.

In 2007, Greenland Minerals and Energy A/S, the Greenlandic company 61% owned by GMEL, acquired the northern Exploration License and commenced large-scale exploration campaigns aimed at resource definition within REE and uranium-zinc mineralization on the Kvanefjeld Plateau. In 2007, 43 diamond drill holes were completed, and in 2008 another 76 holes for over 19,000 m were drilled. In 2009 an additional 5,313 m of core drilling were completed primarily for metallurgical testing. As well as logging and sampling of the new holes, GMEL gained access to the historic Risø drill cores and also conducted radiometric logging of the historic Risø drill holes.

From these results GMEL was able to commission a new, JORC Code⁴-compliant, resource estimate for the Project, and start the Prefeasibility study in late 2008. As well as this, GMEL discovered three other zones of REE-U-Zn mineralization referred to as Zone 2, Zone 3 and Steenstrupfjeld, in addition to the Kvanefjeld deposit.

Geology and Mineralization

The Kvanefjeld REE-U-Zn deposit occurs within the 17 x 8 km Ilimaussaq layered alkaline intrusive complex, in southern Greenland. The Ilimaussaq Complex was intruded approximately 1.16 billion years ago in a continental rift setting. The Complex is regarded as the type-example of agpaitic rocks, which are a rare suite of peralkaline nepheline syenites, made up of complex silicates containing zirconium, titanium, REEs and fluorine. Block faulting has disrupted the continuity of the layering across the intrusion such that different levels are exposed at different locations.

⁴ Joint Ore Reserves Committee Code, the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves

The intrusion was emplaced in four successive pulses of magma. The first pulse was an augite syenite, which formed a marginal shell. The next intrusion was a sheet of peralkaline granite. The third and fourth stages are peralkaline to agpaitic in composition, and make up the bulk of the volume of the intrusion. The third batch of magma differentiated to produce alkaline nepheline syenites such as pulaskite, foyaite and naujaite. The last phase produced the agpaitic kakortokites and lujavrites, which are the units of particular economic significance. They differentiated from volatile-rich alkaline magmas that were extremely enriched in incompatible elements such as rare earth elements, uranium, niobium and tantalum. The upper-most lujavrite sections generally contain the economically interesting concentrations of rare earth elements and uranium.

Most of the REE-U-Zn mineralization occurs as disseminations within the lujavrite, with a minor amount occurring in adjacent veins and disseminations. Steenstrupine, an unusual phospho-silicate mineral, hosts the majority of both REEs and uranium, along with vitusite, lovozerite minerals and eudialyte. Zinc occurs exclusively in sphalerite, disseminated within lujavrite, which is the only sulphide mineral present. These multi-element ores have very good continuity and consistency because they are largely formed within a specific magmatic unit.

Mineral Resources

GMEL retained Hellman & Schofield Pty Ltd (“H&S”) in late 2008 to prepare a resource estimate for the Kvanefjeld deposit based on all of the foregoing data. H&S were provided with all of the drilling, assaying, geological modelling, and related data, and were able to provide JORC Code-compliant resource estimates at various cut-off grades. A summary of their resource estimates is tabulated below.

Summary of Kvanefjeld Resource Estimates (May 2009)

	Indicated Resource				
Cut-off Grade⁵ (ppm U₃O₈)	Tonnes (Millions)	U₃O₈ (ppm)	TREO (ppm)	ThO₂ (ppm)	Zn ppm)
50	458	249	9,895	770	2,021
100	435	257	10,138	791	2,068
150	365	282	10,629	853	2,168
200	276	317	11,253	938	2,264
250	207	348	11,955	1,014	2,346
300	145	379	12,703	1,090	2,433
350	89	414	13,543	1,174	2,525
400	46	452	14,495	1,266	2,617
450	19	494	15,408	1,368	2,704
500	6	541	16,293	1,477	2,808
	Inferred Resource				
50	122	232	10,288	728	2,067
100	114	242	10,620	754	2,128
150	92	269	11,219	821	2,243
200	63	312	12,070	930	2,355
250	43	355	13,138	1,036	2,455
300	29	394	14,128	1,132	2,554
350	20	424	15,006	1,208	2,642
400	12	461	16,400	1,299	2,754
450	6	498	17,520	1,389	2,784
500	2	546	18,488	1,506	2,733

In March 2011, a new Mineral Resource Estimate, prepared by SRK Consulting (Australasia) Pty. Ltd., was published and indicated a significant increase in Resource as summarized in the following table. Comparisons of the two resource estimates shows an approximately 10% increase in the contained metal content at the 350 ppm U₃O₈ cut-off grade case.

⁵ Cut-off grades were tied to U₃O₈ grades because there was a more complete set of U₃O₈ assays than for any other elements from the various generations of drilling.

Summary of Kvanefjeld Resource Estimates (March 2011)

	Indicated Resource			
Cut-off Grade⁶ (ppm U₃O₈)	Tonnes (Millions)	U₃O₈ (ppm)	TREO (ppm)	Zn ppm)
150	437	274	10,929	2,212
200	291	325	11,849	2,343
250	231	352	12,312	2,363
300	177	374	13,013	2,414
350	111	404	13,735	2,487
	Inferred Resource			
150	182	216	9,763	2,134
200	79	275	11,086	2,478
250	41	324	11,251	2,598
300	24	362	11,763	2,671
350	12	403	13,729	2,826

Prefeasibility Study

Mining

The Prefeasibility Study (“PFS”) was started in late 2008 and finished in early 2010. It was based on open pit mining using a standard drill/blast/truck/shovel operation targeted at delivering 10.8 Mt/year to a crusher. Total tonnes of resource included in the 23 year mine plan were 239.3 million tonnes as well as 183.7 million tonnes of waste, for an overall strip ratio (w:o) of 0.8. Equipment selection was based on a previous study that utilized a lower production rate, and so used 100 tonne capacity mine trucks and 180 tonne capacity hydraulic excavators. It was estimated that a total mining crew of 236 employees would be required.

Metallurgy

Several phases of metallurgical test work have been completed, which go back 40 years, and have shown that the unique and complex mineralogy provides significant challenges to obtaining viable ore treatment using conventional sulphuric acid leaching. Carbonate Pressure Leaching (“CPL”) has been found to provide favourable results for some ore types, and was

⁶ Cut-off grades were tied to U₃O₈ grades because there was a more complete set of U₃O₈ assays than for any other elements from the various generations of drilling.

the front end process selected for the PFS. This process was found suitable to extract the uranium. The second phase, to recover the REEs, has not been thoroughly tested, but the PFS has been based on the use of dilute hydrochloric acid leaching of the CPL residue to extract the REEs. It was originally estimated that the use of these processes could recover 83.8% of the uranium and 34% of the REEs, although more testing indicates these estimates could be raised (for example, the recent estimate of REE recoveries is about 40%).

Plant Services Plant Services

The operation was assumed to require a chlor-alkali plant because of large consumption of hydrochloric acid, and also will need hydrogen and oxygen generation plants. Power supply was provisionally based on an array of heavy fuel oil (diesel) generator sets; with the hydro-electric power option to be studied later.

Tailings Management and Environmental

Tailings management plans are still at the conceptual stage. The main plan proposed for the CPL plant tailings was subaqueous deposition by submerged outfall pipe at the bottom of Lake Taseq. The REE plant tailings would be stockpiled for potential future reprocessing and then backfilled into mined out pits.

The main environmental issues identified for the project are being studied in conjunction with government agencies as well as stakeholders, and solutions/mitigations will be jointly developed.

Infrastructure

The Project location is relatively remote, although it is less than 10 km from the town of Narsaq (pop 2000). Infrastructure required includes staff accommodation (for 709), new harbour facilities and storage, new roads, power transmission, water supply, and recycle and treatment systems.

Capital Costs

The Project capital cost estimate for plant and infrastructure is summarized in the following table.

Capital Cost Estimate

Direct Costs	Area	000s
	CPL Process Plant	\$683,112
	REE Process Plant	\$321, 520
	Subtotal	\$1,004,632
	Total Infrastructure	\$432, 126
	Process Plant Miscellaneous	\$107,387
	Total Direct Cost	\$1,544,145
Indirect Costs		
	Temporary Facilities and EPCM	\$368,694
	Total Project Costs	\$1,912,839
	Contingency	\$382,568
	Total Project Costs Overall	\$2,295,407

Operating Costs

The operating costs developed for the various facets of the operation, and used in the PFS, were as summarized in the following table.

Operating Cost Summary

Cost Item	Average Cost/year (millions)	Cost/tonne of ore
Mining	\$81.03	\$7.50
CPL Circuit	\$254.343	\$23.55
REE Circuit	\$147.087	\$13.62
Total	\$482.73	\$44.67

Markets

The consensus on uranium markets published by WNA⁷ and others at the time of the PFS was for long term prices for uranium (U₃O₈) in the range of \$65 to \$75 per pound. GMEL has used a base case price for uranium (U₃O₈) of \$80 per pound on the basis that the market was likely

⁷ World Nuclear Association

to tighten by the year 2015 when production from Kvanefjeld would start. This assumption may now appear optimistic in the light of the Fukushima Nuclear Disaster and the impact on uranium markets.

The pricing assumptions for rare earth elements were based partly on IMCOA⁸ forecasts of a growth in demand of 8% to 11% per year, but still assuming stable prices in China. IMCOA's recommended prices were \$7.50 to \$10/kg for the mix of rare earth carbonates to be produced at Kvanefjeld. BCC Research⁹ was forecasting demand growth and price increases for all rare earths of 20% to 30% per year and GMEL tended toward that view. GMEL assumed that by 2015 pricing would lie within the upper part of the range of \$7.50 to \$18.50/kg. For purposes of the PFS GMEL used \$13/kg.

Economic Analysis

GMEL analyzed the economics of the Project using a discounted cash flow ("DCF") model built in Excel. The assumptions used were as follows:

- ore production rate of 10.8 million tonnes/year
- capital cost of \$2.31 billion
- average operating cost of \$482.73 million/year
- constant dollars, no inflation assumed
- construction start 2013
- production start 2015
- project life 23 years

The outcomes of the model were as summarized in the following table.

Base Case Outcomes

	Pre-tax	Post Tax
NPV₁₀ ¹⁰	\$2,181 million	\$1,282 million
IRR ¹¹	24%	19%
Payback	5 to 6 years	6 to 7 years

Approaches to Valuing Mineral Exploration Properties

Although transactions involving exploration properties and undeveloped mineral resources are commonplace (but seldom involve all-cash purchases), such properties and resources are

⁸ Industrial Minerals Company of Australia Pty Ltd

⁹ BCC Research is a well-established industrial market forecasting firm

¹⁰ Net Present Value at 10% discount rate

¹¹ Internal Rate of Return

often difficult to value by objective means. As a result, a number of different methods have been utilized as reasonable indicators of value. Some of these methods, along with a brief discussion of valuation principles, are set out in Appendix I of this report. There are also standards for valuations published by some professional societies and stock exchanges. Although the VALMIN Code, to which this report adheres, does not prescribe valuation methods or standards, it rather stresses Competence, Transparency, Materiality and Independence, and leaves valuation approaches to Professional Societies such as AusIMM and the Minerals Industry Consultants Association (“MICA”). A consensus of mineral valuation professionals is that the use of the following primary valuation methods for properties without mineral reserves is acceptable:

- **Adjusted Appraised Value** (also known as Multiple of Exploration Expenditures) whereby only the retained past expenditures (also known as “historical costs” or “replacement costs”) are included. The professional societies do not generally accept the inclusion of warranted future expenditures for the purpose of the appraised value method.
- **Comparable Transactions** whereby properties similar in all aspects are incorporated into the analysis, whereby fair market value can be determined.

In the case of properties which do have mineral resources, a third general approach is also acceptable:

- **Income or Discounted Cash Flow (net present value)** approach where properties are valued based on the forecast income or cash flows from them.

Because the Kvanefjeld Project has a large resource, and has been the subject of a Prefeasibility Study, the Discounted Cash Flow approach, as well as the other two valuation methods, have been utilized to estimate the value of the Kvanefjeld Project and of the 3% Royalty interest in it. Use of a fourth method, the **Attributed Portion of Market Capitalization approach**, was also employed to a limited extent to check or corroborate the other methods.

Valuation of the 3% Royalty in the Kvanefjeld Project

The valuation of the Kvanefjeld Project, and a 3% Royalty interest in it, has been based mainly on three different valuation approaches, as summarized below, and discussed in the following sections of this report.

- Adjusted Appraised Value Approach
- Comparable Transactions Approach
- Discounted Cash Flow Approach

Adjusted Appraised Value Method

The utilization of prior expenditures that have added value to the project (the Appraised Value method) has been considered by several mineral property valuers to be an acceptable approach to valuing mineral exploration properties. However, only expenditures that relate to significant and relevant exploration should be included, and the quality of past work itself must be evaluated.

A problem in this basic approach is that it tends to ignore the results of the exploration, and properties with poor or good exploration results would have the same values if the same amount had been expended on each. To overcome this deficiency, the valuator must apply a “premium” or “discount”. Since the same data can be regarded or interpreted differently by different valuers, these factors are determined by a personal assessment of the exploration results. Either a premium or discount may be applied, depending upon whether the valuator perceives the available results as encouraging (positive contribution) or discouraging (negative “contribution”), respectively.

An additional matter must be considered where there is a significant time lapse between when the exploration was carried out (that is, when the actual expenditures were incurred) and when the valuation is prepared. In those situations, the incurred expenditures should be indexed to the current costs of repeating the exploration that contributed to value. Again, either positive or negative factors would be applied, depending upon the current state of the exploration industry and the general economy. Estimating the costs (at the date of valuation) of duplicating the past exploration also assists in determining the relevance and quality of the exploration costs, as opposed to the indirect costs such as variable administration costs and irrational allocation of head office, group, or regional project charges, which all vary greatly from company to company, and which may have little relevance to the value of the property.

The historic or book values of mineral property expenditures, if known or estimated, can also be compared with the market values of a suite of comparable or similar companies in order to examine the ratios of market capitalizations (adjusted to eliminate working capital, and other assets and liabilities) to book values of the exploration properties. McKnight and Glanville have calculated the comparable ratios for 20 primarily REE exploration and development

companies¹², with the range being from 0.6 to 46.2 (with most in the range of 2 to 10), the average (arithmetic mean) being 9.5 and the median being 4.9. Properties with no resources on them had an average ratio of 2.9 and a median of 2.3, whereas those with resource or reserves or at the Preliminary Economic Assessment (“PEA”) or Pre-Feasibility Study (“PFS”) stage had ratios generally over 5. GMEL’s Kvanefjeld Project is in a challenging location with an expensive exploration and operating environment and difficult metallurgical issues, and for these reasons the opinion of McKnight and Glanville is that Kvanefjeld would have a market value to book value ratio below the median, or say in the range of 3.0 to 5.0.

It is estimated that as of August 31, 2011 approximately \$44 million has been spent by GMEL related to its 61% share of the total exploration and acquisition expenditures on the Kvanefjeld Project. The use of the above-stated market/book value ratios implies that the 61% interest in the Project would be valued in the range of \$132 to \$220 million (3 X \$44 million to 5 X \$44 million) and 100% would be valued in the range of \$216 to \$361 million.

Utilizing a factor in the range of 3.0 to 5.0 for the ratio of market value/book value, the indicated value of 61% of the Project would be in the range of approximately \$132 to \$220 million (or \$216 to \$361 million for a 100% interest). But this value implicitly already reflects a reduction in value due to the 5% Royalty (equivalent to 8.75% working interest¹³). As a result, a 100% interest without a royalty interest would have an implied value range of \$237 million to \$395 million (\$216 million divided by 0.9125¹⁴ to \$361 million divided by 0.9125). Therefore the value of a 3% working interest (with no royalty) would be in the range of \$7.1 to \$11.8 million.

Thus the value of a 3% Royalty interest, which is valued at 1.75 times a 3% working interest value, would be in the range of \$12.4 to \$20.7 million¹⁵.

Comparable Transactions Approach

Because of the rapid growth and current state of flux in the industry exploring and developing REEs and related metals deposits, it was difficult to find genuine comparable transactions or companies. There are currently an estimated 437 active REE exploration projects ongoing worldwide, and McKnight and Glanville reviewed the results of approximately 50 companies

¹² The companies were Avalon Rare Metals Inc., Canadian International Minerals Inc., Commerce Resource Corp., Elissa Resources Ltd., Focus Metals Inc., Forum Uranium Corp., Greenland Minerals & Energy Ltd, Hudson Resources Inc., Matamec Explorations Inc., Midland Exploration Inc., Montero Mining and Exploration Ltd., Quantum Rare Earth Developments Corp., Rare Earth Metals Inc., Rare Element Resources Ltd., Silver Spruce Resources Inc., Tasman Metals Ltd., TNR Gold Corp., Torch River Resources Ltd., Ucore Rare Metals Inc., and Wealth Minerals Ltd.

¹³ The value of a Royalty percentage was estimated to be 1.5 to 2.0 times the value of a working interest percentage, and so for purposes of this VR has been taken to be 1.75. Thus a 5% Royalty would be equivalent to an 8.75% working interest and a 3% Royalty would be equivalent to a 5.25% working interest.

¹⁴ 100.00% minus 8.75% equals 91.25% or 0.9125.

¹⁵ \$237 million to \$395 million times 5.25%

exploring them. There are also 17 different rare earth elements, which also raise challenges of differing metallurgical recovery problems and differing markets and supply-demand characteristics for each one. There is also a large geographical and geological dispersal of the projects, with some active ones in various Canadian provinces and territories, various American and Australian states, South America, Africa, Sweden and Greenland. Because of the foregoing and the rapidly increasing prices for REOs and properties containing them, it was challenging to identify true comparables, and as a result McKnight and Glanville relied less on this method than the other two approaches.

Glanville and McKnight have examined the stock market trading performance of many REE exploration and development companies, as well as the terms of purchases of several projects, and have examined the adjusted market capitalizations per kg of contained REO in resources for several exploration and development companies. As would be expected, the ranges in adjusted market capitalizations and purchase or trading prices expressed in terms per kg of contained REO are extremely wide, since the purchase prices depend upon a variety of factors, including the stage of advancement, mining, milling and infrastructure conditions, the income tax and royalty structure, third party interests in the project, the level of technical study (scoping study, pre-feasibility study, feasibility study, operating statistics, etc.), the long term TREO price outlook, the exploration potential, the expectations for replacing resources/reserves and adding to them, the political jurisdiction in which the deposit is located, etc. In spite of the reasonably wide range of numbers, one can usually determine a much narrower range for properties with similar attributes, particularly for single commodity projects like gold or copper. As a result, this method is often utilized as an indicator of value, and market capitalizations per unit of contained metal are compiled by mining analysts and mining companies.

In the case of REE exploration companies there is the added complexity of many different REEs and REOs, with different prices and supply-demand profiles, and the market price per unit of in situ REO in resource ranged through several orders of magnitude. The result of this is that it was impossible to determine a coherent pricing basis for GMEL's in situ REO resource and this approach was abandoned.

McKnight and Glanville then focused on recent Greenland REE property transactions:

For example GMEL acquired its initial 61% interest in the Kvanefjeld Project in 2007 by making a total of \$5 million in staged cash payments and issuing 75 million shares in three stages, which when considering the probability of completion and time delays in payments, was equivalent to a purchase price of \$16.1 million for 61% interest or equivalent to \$26.4 million for 100% interest at that time. This working interest value was net of a 5% Royalty held by third parties and so the gross value of the Project then would have been approximately \$28.8 million¹⁶.

On August 15, 2011, GMEL announced it had reached agreement with its joint venture partners to buy out the remaining 39% interest for \$39 million in cash, issuance of 7,825,000

¹⁶ \$26.4 million divided by 0.9125, assuming the 5% Royalty is equivalent to an 8.75% working interest.

shares (at a value of approximately \$0.60 each), and the granting of 5 million share options, with an exercise price of \$1.50, for a total consideration estimated to be \$44.2 million for the 39%. This implies that a 100% interest in the deposit would be worth \$113.3 million (net of the 5% Royalty and \$124.2 million¹⁷ without the Royalty), and the value had increased at the rate of approximately 44% per year over the past four years. It is suspected that this increase was due to a combination of increasing resources in the deposit as well as buoyant market conditions for REEs.

Hudson Resources Inc. is exploring several REE prospects in Greenland, with the most advanced being Sarfartoq, which is at the Preliminary Economic Assessment Stage. In 2003 the company entered into a joint venture on Sarfartoq in two phases. The first phase was to acquire 80% in the project, for all metals except Ta and Nb, for staged cash payments of \$1,000,000, which was probability and time discounted to a cash equivalent value of \$505,000. The second phase was to acquire the remaining 20% plus the rights to Nb and Ta for cash and shares to a value of \$539,000, which meant the total effective price for 100% interest was \$1,044,000. Since 2003, if the Sarfartoq Project has increased in value at the rate of apparent increase of Kvanefjeld, the equivalent value today would be approximately \$18.5 million¹⁸. But Sarfartoq's resource contains only 0.2 million tonnes of in situ TREOs, whereas Kvanefjeld's is well over 1.7 million tonnes of TREOs depending on the cut-off grade used, which implies its value in comparison with Sarfartoq would be at least \$157 million¹⁹.

This analysis supports the proposition that the value of the Kvanefjeld Project is in the range of \$125 to over \$157 million and **the value of the 3% Royalty is in the range of \$6.6 to over \$8.2 million**²⁰.

DCF or Net Present Value Approach

The Net Present Value method is the most common approach utilized to value those mineral properties with mineral resources or reserves that have subject of a PFS or a preliminary economic assessment. With this method, annual estimated capital and operating costs, production levels, recoveries, prices, revenues and cash flows are projected over the expected life of the project, and these cash flows are then discounted at the appropriate discount rate over the project life to arrive at a Net Present Value. The resulting net present value is then either reduced in value to account for the risks of not achieving some of the key input parameters and/or assumptions or increased in value to allow for the reasonable probability of improving on some of them. Because of the early stage of the Kvanefjeld Prefeasibility Study and the many cost, metallurgical and marketing uncertainties, the values of most projects at that stage have been found to lie in a range of 10% to 15% of the after tax Discounted Cash Flow Net Present Value at 10% discount rate.

¹⁷ \$113.3 million divided by 0.9125.

¹⁸ The portion of Hudson's current market capitalization that would be attributed to Sarfartoq is estimated to be approximately \$34 million, and so the current market value of that property is arguably higher than \$18.5 million

¹⁹ \$18.5 million times 1.7 divided by 0.2

²⁰ \$125 to \$157 million respectively, times 5.25%

The Kvanefjeld Prefeasibility study showed the following outcomes:

	Post-tax
NPV@10% Discount Rate	\$1,282 million
Reduced to 15% of NPV	\$192.3 million
Reduced to 10% of NPV	\$128.2 million

Based on the above, the 3% Royalty interest would be valued in the range of \$6.7 million to \$10.1 million²¹.

Portion of Attributed Market Capitalization Approach

The adjusted market capitalization of a company can be used as an indicator of value. From the market capitalization (share trading price multiplied by the number of shares issued and outstanding), one must adjust for other assets/liabilities, such as working capital, investments, long-term liabilities, stock exchange listing value, income tax pools, and “in-the-money” options and warrants. However, one should be aware that the trading prices of just a few shares may not reflect the level at which all of the shares could be sold for, since trading prices are partly dependent upon market conditions, promotional abilities, financial markets, and other factors. Nevertheless, the trading prices of a significant number of shares provide a good indicator of value, since the share price is a market indicator and does not require a subjective judgment.

GMEL has approximately 410.4 million shares issued and outstanding and the current market price is \$0.53 per share for a total market capitalization of \$217.5 million. From this must be deducted working capital (approximately \$24 million) and the value of other assets, mainly stock exchange listings, office and field equipment and files (estimated at \$1 million) to leave a net value of \$192.5 million attributed its mineral properties. Because Kvanefjeld is by far the most active and most advanced of its mineral properties, it is estimated that 95% of the \$192.5 million net mineral property value, or \$182.9 million, would be attributed to the 61% Kvanefjeld Project interest. This would imply that 100% interest, net of a 5% Royalty, would be valued at \$299.8 million²² and the gross value of the Project (prior to any royalty interest) would be \$328.6 million²³. The 3% Royalty would then be valued at \$17.2 million²⁴.

However it is not clear that the market is valuing GMEL’s interest as a 61% share in the Project because it knows of the original joint venture terms by which GMEL could increase its interest from 61% to 90% for \$10 million dollars and further increase to 100% for \$50

²¹ \$128.2 to \$192.3 million, respectively, times 5.25%

²² \$182.9 divided by 0.61

²³ \$299.8 million divided by 0.9125

²⁴ \$328.6 million times 5.25%

million more. These two steps would imply a project value of about \$222.9 million (\$182.9 million plus about \$40 million – which is an estimate of the discounted value of the \$60 million to acquire the remaining 39%). The gross project value (without the 5% royalty) would therefore be worth around \$244.3 million (\$222.9 million divided by 0.9125). **As a result the value of the 3% Royalty would be \$12.8 million²⁵.**

Summary of Indicated Values

Predicated on the foregoing sections of this report, the indicated values of the 3% Royalty interest in the Kvanefjeld REE Project, derived from the three main valuation methods utilized, are summarized below:

Summary of Valuations of a 3% Royalty Interest in Kvanefjeld

Method	High	Low	Mid Point
Adjusted Appraised Value	\$20.7 million	\$12.4 million	\$16.6 million
Comparable Transactions Value	\$8.2 million	\$6.6 million	\$7.4 million
DCF Method	\$10.1 million	\$ 6.7 million	\$ 8.4 million
Portion of Market Capitalization			\$12.8 million

As set out in the table above, it is the opinion of Glanville and McKnight that the value of a 3% Royalty interest in the Kvanefjeld Project is in the range of approximately \$7.4 million to \$16.6 million with a preferred value being \$12.0 million. The Attributed Portion of Market Capitalization Approach supports this valuation.

We note that such a wide range in values is not unusual for exploration and development properties at the stage and location of the Kvanefjeld Project and similarly for royalty interests in them.

Valuation Considerations

In connection with the provision of the VR, Glanville and McKnight have performed a variety of financial, technical, and other analyses (in addition to the calculations in the prior sections of this report). In arriving at the VR, Glanville and McKnight have not attributed any

²⁵ \$ 244.3 million times 5.25%

particular weight to any specific analyses or factors considered by them, but rather Glanville and McKnight have made qualitative judgments based on their experience in rendering such VRs and on the circumstances and information as a whole.

Valuation

Based on the foregoing, it is the opinion of Glanville and McKnight that the value of a 3% Royalty interest in the Kvanefjeld Project of Greenland Minerals and Energy Limited is in the range of \$7.4 to \$16.6 million, with a preferred value being \$12.0 million.

This VR may be relied upon and included in the IER being prepared by BDO Securities (NSW-VIC) Pty Ltd, relied upon by the Board of Directors of GMEL and provided to regulators and shareholders if required, but may not be used or relied upon by any other person without express prior written consent of Glanville and McKnight, which may not be unreasonably withheld.

Yours very truly,



Ross Glanville & Associates Ltd.
Ross Glanville, B.A.Sc., P.Eng., MBA



Bruce McKnight Minerals Advisor Services
Bruce McKnight, B.A.Sc., P.Eng., MBA, FCIM

APPENDIX I

VALUATIONS OF MINERAL PROPERTIES

OVERVIEW OF VALUATION CONSIDERATIONS

A definition of Fair Market Value is provided below:

“The highest price available in an open and unrestricted market between informed and prudent parties, acting at arm’s length and under no compulsion to act, expressed in terms of cash”

The fair market value of a mineral property is dependent upon its perceived potential to host one or more mineral deposits that can be economically mined at present or at some time in the future. The more important aspects of valuation theory and practice have been outlined by Parish and Mullen (1998), Tingly (1996), Kilburn (1990), Thompson (1992), Glanville (1984 and 1990), and others.

Although transactions involving exploration properties and undeveloped mineral resources are commonplace (but seldom involve all-cash purchases), such properties and resources are often difficult to value by objective means. However, a reasonable valuation can be determined when the valuator:

- * has a thorough understanding of the property or properties
- * is cognizant of the strategic importance of the property or properties
- * verifies that potential buyers exist
- * selects the most reasonable approaches to measuring the values of properties
- * justifies the valuation approaches selected
- * uses different valuation methods to check or corroborate results
- * presents a value that can be substantiated by business logic

The prices paid for mineral properties (which may vary considerably) are related to a number of factors, some of which are set out below:

- * resource or discovery tenor (grade/tonnes)
- * type of deposit (gold/base metal/industrial mineral/etc.)
- * deposit size (or potential size), depth, attitude
- * present and perceived future commodity prices
- * degree of optimism
- * property potential

- * database quality
- * location, access, and infrastructure
- * stage of exploration or development
- * potential mineability and metallurgy
- * political risks
- * environmental factors
- * tax and regulatory factors
- * availability of nearby processing facilities
- * stock market factors
- * general business conditions
- * activity (past or present) in the general area
- * investment climate

GENERAL METHODS OF VALUATION

Many different methods of placing a value on a mineral property have been utilized in the past, including the following (some of which are appropriate for very limited applications):

- * staking costs
- * premium or discount on prior expenditures
- * purchase cost for a percentage interest in a property
- * book values from financial statements of exploration companies
- * statistical or probabilistic methods
- * option or joint venture terms
- * adjusted market capitalizations of exploration companies
- * values of comparable or similar properties
- * modified appraisal method
- * retained value of prior exploration work
- * budgeted expenditures for a subsequent exploration program
- * percentage of gross contained metal value
- * value per ounce of contained precious metals or per pound of base metals
- * adjusted discounted cash flow / net present value
- * Kilburn geosciences method
- * projected price/earnings multiple
- * estimated payback period
- * replacement value of mine/mill and other infrastructure
- * dollars per ounce of projected annual gold production
- * values per tonne of resource in the ground
- * options pricing models
- * relative values (for Opinions of Value)

GREENLAND MINERALS AND ENERGY LIMITED
ABN 85 118 463 004
PROXY FORM

APPOINTMENT OF PROXY

Greenland Minerals and Energy Limited
ABN 85 118 463 004

I/We

being a Shareholder of Greenland Minerals and Energy Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of Proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at CWA House, 1174 Hay Street, West Perth, Western Australia on Monday, 23 January 2012 at 11.00am (WST) and at any adjournment thereof.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval to acquire Royalty	☐	☐	☐
Resolution 2	Approval to issue Shares to Hackleton Investments Limited	☐	☐	☐

If the chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a Resolution, please place a mark in the box. By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the Resolutions and that the votes cast by the Chair of the meeting for those Resolutions other than as proxy holder will be disregarded because of that interest. **The Chair intends to vote any such undirected proxies in favour of all Resolutions.** If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on the Resolutions.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Please return this Proxy Form to the Company Secretary, Greenland Minerals and Energy Limited, Unit 6, 100 Railway Road, Subiaco, Western Australia or by post to PO Box 2006, Subiaco, Western Australia 6904 or by fax to (08) 9382 2788 by 2.00pm (WST) on 20 January 2012.

Signed this _____ day of _____ 20

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

Signature

Director

Signature

Director/Secretary

Signature

Sole Director and Sole Secretary

GREENLAND MINERALS AND ENERGY LIMITED
ABN 85 118 463 004
Instructions for Completing Appointment of Proxy Form

1. In accordance with section 249L of the Corporations Act, a shareholder of the Company who is entitled to attend and cast two or more votes at a general meeting of shareholders is entitled to appoint two proxies. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with sections 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of sections 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. In accordance with section 250BA of the Corporations Act the Company specifies the following for the purposes of receipt of proxy appointments:

Registered Office: Unit 6, 100 Railway Road, Subiaco, Western Australia

Fax Number: +61 8 9382 2788

Postal Address: PO Box 2006, Subiaco, Western Australia 6904