



GREENLAND

MINERALS AND ENERGY LTD



Annual Report
Year Ended 31 December 2011



Corporate Directory

Directors

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

Company Secretary

Miles Guy

Registered and head office

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Subiaco WA 6008

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Greenland

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3921 Narsaq, Greenland

Home Stock Exchange

Australian Securities Exchange, Perth
Code: GGG

Auditors

Deloitte Touche Tohmatsu

Share Registry

Advanced Share Registry
150 Stirling Highway
Nedlands WA 6009

Company Website

www.ggg.gl

Rare Earth Minerals



Continuous Pilot Scale Testing



High Grade Concentrate Production



Concentrated Rare Earth Minerals



Light Rare Earth Product



Mixed Rare Earth Product

Purified Uranium Liquor





Contents	Page
Corporate governance statement	1
Directors' report	5
Auditor's independence declaration	38
Independent auditor's report	39
Director's declaration	41
Statement of comprehensive income	42
Statement of financial position	43
Statements of changes in equity	44
Statement of cash flows	45
Notes to the financial statements	
1 General information	46
2 Significant accounting policies	46
3 Critical accounting estimates and judgments	55
4 Segmented information	55
5 Revenue	56
6 Loss for year before tax	56
7 Income tax expense	57
8 Cash and equivalents	58
9 Trade and receivables	58
10 Other assets	59
11 Property plant and equipment	59
12 Capitalised exploration and evaluation expenditure	60
13 Trade and other payables	61
14 Provisions	62
15 Issued capital	62
16 Reserves	63
17 Dividends	64
18 Accumulated loss	64
19 Loss per share	64
20 Non-controlling interest	65
21 Commitments for expenditure	65
22 Contingent liabilities	66
23 Notes to the statement of cash flows	66
24 Subsidiaries	66
25 Share based payments	67
26 Financial instruments	73
27 Key management personnel compensation	76
28 Related party transactions	76
29 Key management personnel equity holdings	77
30 Parent company information	80
31 Remuneration of auditors	81
32 Significant conditional transactions	81
33 Subsequent events	82
Additional stock exchange information	83



CORPORATE GOVERNANCE

Principles of Best Practice Recommendations commentary

The Board of Directors is responsible for the overall strategy, governance and performance of Greenland Minerals & Energy Limited (hereafter GMEL or the Company). The Company is an exploration company whose strategy is to add substantial shareholder value through the acquisition, exploration, development and commercialisation of projects in Greenland with a focus on the Kvanefjeld project. The Board has adopted a corporate governance framework which it considers to be suitable given the size, history and strategy of the Company.

Principles of Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, GMEL is required to disclose the extent to which it has followed the Principles of Best Practice Recommendations during the financial period. Where GMEL has not followed a recommendation, this has been identified and an explanation for the departure has been given.

Principle 1: Lay solid foundations for management and oversight

The Board has established a framework within the Group that:

- enables it to provide strategic guidance and effective supervision of management;
- clarifies the respective roles and responsibilities of Board members and senior executives;
- ensures a balance of authority so that no single individual has unfettered powers; and
- identifies significant business risks and ensures that those risks are well managed.

The day-to-day management of the Consolidated group has been delegated to the Managing Director, Mr Roderick McIlree.

The executives (whether or not a director) have clearly identified areas of responsibility and report directly to an executive director or the Managing Director who monitors their role.

The Board has also adopted a Board Charter which details the functions and responsibilities of the Board and those delegated to management. In addition, each executive director and senior executive has signed an employment agreement. A copy of the Board Charter has been placed on the Company's website.

Principle 2: Structure the Board to add value

The Board has been structured so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names and qualifications of the Directors are stated in the annual report along with the date of appointment. With the prior consultation with the Chairman, each Director is entitled to receive independent professional advice at the Company's expense.

Mr Michael Hutchinson, Mr Anthony Ho and Mr Jeremy Whybrow are non-executive Directors, with Mr Hutchinson and Mr Ho fulfilling the independence criteria outlined in the guidelines.

The Board believes that it is able to exercise independence and judgment and does possess the necessary skills, expertise and experience required to effectively discharge their duties. The focus has been on the ability of the Board to add value by effectively exercising independence and discharging their duties, rather than on meeting the independence test in the guidelines.

The role of the Chairman is fulfilled by Mr Michael Hutchinson and Mr Roderick McIlree fills the role of Managing Director and Chief Executive Officer.



CORPORATE GOVERNANCE

The Board has convened an Audit and Risk Committee as well as a Remuneration Committee.

The Board maintains the role of Nomination to itself as it considers the Company not appropriate in size to justify this as a separate committee.

The executive director board members have full time, executive responsibility for the operations of the Company.

The responsibilities are split into 3 sections:

- In Conjunction with the Chairman, the Managing Director's roles include allocating priorities and tasks to the executives of the Company, leading the Company generally, raising capital as required and public relations at all levels.
- Business and strategic development.
- Other corporate support.

The executive directors are responsible for business strategic development and other corporate support, report on their activities to the Managing Director, who monitors their role and then reports to the board as required. The board as a whole monitors the Chairman's and the Managing Director's performance.

Principle 3: Promote ethical and responsible decision-making

Ethical and responsible decision-making is promoted by the Board in a top-down approach.

The Board has adopted a Code of Conduct to guide the Directors, the Chairman, the Managing Director and other key executives as to practices necessary to maintain confidence in the Company's integrity and to the responsibility and accountability of individuals for reporting and investigating reports of unethical behavior.

The Board recognises legal ethical and other obligations to all legitimate stakeholders and the requirement to act in accordance with these obligations. The Company has formalised its policies accordingly.

The Board has also adopted a Securities Trading Policy, to guide investment decisions. The Company has not adopted compliance standards and procedures to facilitate the implementation and assessment of the Code of Conduct and Securities Trading Policy. Given the Company's size, history and strategy it was not considered appropriate to adopt these policies during the reporting period. The Company will largely comply with these recommendations during future reporting periods.

The Company has formalised its policy accordingly.

The Board has adopted a Diversity Policy as part of the Company's commitment to workplace diversity and to ensure a diverse mix of skills and talent exists amongst its directors, senior management and employees. Diversity includes, but is not limited to, diversity in gender, age, ethnicity and cultural backgrounds.

No Measurable Objectives were specifically set by the Board during the year, other than the recruitment of the most suitable candidate for a position, regardless of the individual's gender or background. However a specific objective to provide employment and training opportunities to Greenland nationals, were established by the board.

As a result of this specific objective, there has been an increase to 18 Greenlandic employees as at 31 December 2011 compared to 7 employees at the same time in 2010. The number of Greenlandic employees was as high as 27 during the 2011 field season.



CORPORATE GOVERNANCE

At 31 December 2011 there were 41 employees including directors in the Consolidated group and 34% of these employees were women. This compares to 31 December 2010, when there were 18 employees including directors, of which 31% were women.

The positions held by women in the Consolidated group include two senior corporate positions and two senior positions within the project team. There are currently no women holding board or senior management positions (as defined in the remuneration report).

A copy of the Code of Conduct, Securities Trading Policy and Diversity Policy have been placed on the Company's website.

Principle 4: Safeguard integrity in financial reporting

The integrity of the Company's financial reporting is a critical aspect of GMEL's corporate governance and structures have been implemented during the reporting period to verify and safeguard the integrity of the Company's financial reporting.

The Company's financial statements are reviewed or audited, at a minimum, each half year. The financial statements are reviewed by the Board which operates under formal terms of reference. The Board Charter is placed on the website.

The Board has requested that the Managing director as the Chief Executive Officer and the Chief Financial Officer to state in writing that the financial statements present a true and fair view, in all material respects, of the Company's financial condition and operational results and that,

- The financial records have been properly maintained in accordance with s286 of the Corporations Act 2001
- The financial statements are in accordance with the Corporations Act 2001, comply with relevant Accounting Standards and Corporation Regulations 2001.
- The financial statements are founded on sound system of risk management, as outlined in principle 7.

Principle 5: Make timely and balanced disclosure

The Board promotes timely and balanced disclosure of all material matters concerning the Company.

The Company has formalized its policy to promote a culture whereby all senior management understands the processes in relation to the timely disclosure of information.

A copy of the Reporting Policy has been placed on the Company's website.

Principle 6: Respect the rights of shareholders

The Board respects the rights of all shareholders and, to facilitate the effective exercise of those rights, the Company is committed to effective communication with shareholders. This occurs by electronic ASX releases to the market, through GMEL e-list email communications (registration is available via the Company's website) and by the provision to shareholders of balanced and understandable information in relation to corporate proposals.

Shareholders generally participate in shareholder meetings through the appointment of a proxy. The Company's external Auditor is invited to attend these meetings.

Principle 7: Recognise and manage risk

The Company recognises the importance of managing risk and has established systems to assess monitor and manage risk based on the Company's size, history and strategy. The exploration and development of natural resources is a speculative activity that involves a high degree of financial risk.



CORPORATE GOVERNANCE

The Company has formalised its policy to identify, monitor and manage risk. The Company as part of its risk management, formally established an Audit and Risk Committee

The Company's executives and senior management, through the Managing Director are responsible for the identification of material risks to the business and the design and implementation of internal control systems to manage the identified risks.

The Board has received from management, reports on the effectiveness of the Company's management of its material business risks.

The Board has obtained a written confirmation from the Managing Director and the Chief Financial Officer that the statement in relation to principle 4, that the financial reports are founded on a sound system of risk management and internal compliance and control and the Company's risk management and internal compliance control systems are operating efficiently and effectively in all material respects.

The principle areas of risk for the Company are in the areas of:

- Occupational health and safety and work related safety risks
- Environment risks
- Security of tenure over tenements
- Financial risk in the areas of maintaining sufficient funding for the continuation of operations and risks related to fraud, misappropriation and errors.

The Company has implemented and maintains adequate policies to monitor these areas and to reduce risk exposure.

Principle 8: Remunerate fairly and responsibly

The Board is committed to ensuring that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

Executive Remuneration Policy

The Company remunerates its senior executives in a manner that is market competitive, consistent with best practice and aligned to the interests of shareholders. Remuneration comprises a fixed salary, determined from a market review, to reflect core performance requirements and expectations of the relevant position and statutory superannuation where applicable.

Non-Executive Remuneration Policy

Non-Executive Directors are paid a fixed fee out of the maximum aggregate amount which has been approved by shareholders. Non-executive Directors are entitled to statutory superannuation where applicable.

There are no schemes for retirement benefits, other than statutory superannuation, for any non-executive Director.

A copy of the Code of Conduct has been placed on the Company's website.



DIRECTORS' REPORT

The directors of Greenland Minerals and Energy Limited submit herewith the annual financial report for the financial year ended 31 December 2011, in order to comply with the provisions of the Corporations Act 2001. The directors report the following:

Directors

The names of directors in office at any time during or since the end of the financial year are:

Michael Hutchinson, Non-Executive Chairman
Roderick Claude McIlree, Managing Director
Simon Kenneth Cato, Executive Director
John Mair, Executive Director - Appointed 7 October 2011
Anthony Ho, Non-Executive Director
Jeremy Sean Whybrow, Non-Executive Director

Company Secretary

The following person held the position of Company secretary at the end of the financial year:

Miles Simon Guy – *M. Com (PA)* is an accountant with 15 years experience in both public practice and commercial environments. Mr Guy is also currently the Chief Financial Officer for Greenland Minerals and Energy Limited.

Principal Activities

The principal activity of the Consolidated group during the financial year was mineral exploration and project evaluation.

There were no significant changes in the nature of the Consolidated group's principal activities during the financial year.





DIRECTORS' REPORT

Operating Results

The net loss after providing for income tax amounted to \$14,209,550 (2010: loss \$7,163,998)

Significant Changes in State of Affairs

During the financial year, there were no significant changes in the state of affairs of the Consolidated group.

Subsequent Events

At a general meeting of members on 23 January 2012, shareholders approved a restructuring of an existing royalty arrangement, payable by the Greenland subsidiary from future profits over the Kvanefjeld project. Under the restructuring the parent Company will acquire a 3% royalty interest currently held by an external third party, Hackleton Investments Limited. This will result in a cancellation of a potential future liability to the Consolidated group. GMEL will issue \$17.5M shares in Greenland Minerals and Energy Limited as consideration for the 3% royalty. The settlement of royalty restructure is conditional on the settlement of the acquisition of the remaining 39% interest in the Kvanefjeld project, which is discussed further in notes 12 and 32 of the financial statements.

There has not been any other matter or circumstance occurring subsequent to the financial period that has significantly affected, or may significantly affect, the operations of the Consolidated group, the results of those operations, or the state of affairs of the Consolidated group in future years.



Future Developments

Disclosure of information regarding likely developments in the operations of the Consolidated group in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated group. Accordingly, this information has not been disclosed in this report.



DIRECTORS' REPORT

Environmental Regulations

The Consolidated group operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of shareholders, customers, employees and suppliers. The Consolidated group's exploration activities are currently regulated by significant environmental regulation under laws of Greenland and the Commonwealth and states and territories of Australia. The Consolidated group aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation.

The directors are not aware of any particular or significant environmental issues, which have been raised in relation to the Consolidated group's operations during the period covered by this report.



Dividends

In respect of the financial year ended 31 December 2011, no dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year. No dividends were paid in the comparative period ended 31 December 2010.

Shares

During the period ended 31 December 2011, the following ordinary shares of Greenland Minerals and Energy Limited were issued, as detailed in Note 15 to the financial report.

The total number of ordinary shares on issue at 31 December 2011 was 416,390,488 (31 December 2010: 288,672,163).

The total number of shares issued during the current financial year was 127,718,325.

There is no other class of shares issued by the Company and the Company has no un-issued shares.



DIRECTORS' REPORT

Details of shares issued during the year or since the end of the financial year as a result of exercised options are:

Issuing entity	Number of shares issued	Class of share	Amount paid for shares	Amount unpaid on shares
Greenland Minerals and Energy limited	115,195,419	Ordinary shares	\$0.20	-
Greenland Minerals and Energy limited	5,450,000	Ordinary shares	\$0.50	-
Greenland Minerals and Energy limited	1,090,000	Ordinary shares	\$1.00	-

Options and performance rights

During the year ended 31 December 2011 the number of options and performance rights of Greenland Minerals and Energy Limited that were issued are detailed in Note 25 to the financial report.

Details of unissued shares or interests under option and performance rights at the date of this report are:

Issuing entity	Number of shares under option	Number of shares under performance rights	Class of shares	Exercise price of option	Expiry date of option
Greenland Minerals and Energy Limited	7,000,000	-	Ordinary shares	\$1.75	31 August 2013
Greenland Minerals and Energy Limited	750,000	-	Ordinary shares	\$0.25	31 March 2013
Greenland Minerals and Energy Limited	-	16,450,000	Ordinary shares	NA	31 August 2013

All options and performance rights listed above were issued during the current financial year.

The holders of these options and performance rights do not have the right, by virtue of being holders, to participate in any share issue or interest issue of the Consolidated group or of any other body corporate.

Review of operations

The Consolidated group is a mineral exploration and development consolidated group actively exploring in southern Greenland.

The 2011 calendar year was a highly productive period for Greenland Minerals and Energy Limited, with the Consolidated group making significant progress in advancing the Kvanefjeld multi-element project (rare earth elements ("REEs"), uranium) toward development.

It was a dynamic year in which both the rare earth element and uranium sectors would be best described as volatile, having both significant highs as well as lows. In early 2011 rare earth prices skyrocketed as the world absorbed the reality of restricted Chinese export quotas amidst surging global demand. Prices then retreated a little during the later part of the year, but there is a growing recognition that the critical rare earths, or the REEs that are forecast to remain in supply deficit for the medium to long term, will retain high demand and valuations. These include dysprosium, terbium, yttrium, europium and neodymium; notably elements which are all significant to Kvanefjeld's future production profile.



DIRECTORS' REPORT

Review of operations (cont'd)



The uranium sector also had a volatile year in 2011. The uranium spot price was steadily rising through early 2011 until the Japanese earthquake and Fukushima reactor issues slowed the momentum of the nuclear renaissance, and sentiment along with the uranium price took a sharp downward dip. However, by year end, merger and acquisition activity had returned to the uranium sector, which served to highlight that despite the Fukushima reactor issues, the nuclear power sector remains in line for significant growth, largely driven by the growing power requirements of developing nations.

Our belief is that both rare earth elements and uranium have strong outlooks as future demand is strong, and the real challenge is for new supply to meet the growing demand. Both rare earths and uranium are of fundamental strategic significance, and are critical to efficient energy generation, storage and use.

At the start of 2011 the Consolidated group set out with a number of key objectives that included;

- continuing to advance technical work programs in order to maintain our development timeline;
- securing greater political and stakeholder support for the Kvanefjeld project; and,
- negotiating an agreement with joint venture partner Westrip Holdings Limited ("Westrip") for GMEL to move to 100% ownership of the Kvanefjeld project.

The Consolidated group was able to achieve all these key objectives, placing it in a strong position to target an increase in market recognition in 2012.



DIRECTORS' REPORT

Review of operations (cont'd)



Mineral Resources – Kvanefjeld

Kvanefjeld's status as one of the largest undeveloped and readily accessible resources of REEs and uranium was further consolidated in 2011 with the finalisation of a new resource estimate for Kvanefjeld, and the discovery of potentially significant new satellite deposits at Zones 2 and 3.

In March 2011, the Company released an updated mineral resource estimate for the Kvanefjeld REE-uranium deposit. This represented the fourth Joint Ore Reserve Committee (JORC) code-compliant mineral resource estimate that the Company has released since commencing operations on Kvanefjeld in 2007. SRK Consulting was engaged in 2010 to establish an updated resource estimate for Kvanefjeld, with a focus on converting Inferred resources into Indicated resources. The areas that were addressed included increasing the drill density in certain areas of the deposit, utilising the increased understanding of the geological nature of the deposit to domain the resources, and to effectively break out the components of the multi-element resource in order to clearly understand the value distribution. Importantly, substantial developments in understanding the deposit have resulted in an improved geological model that is closely aligned with the Consolidated group's metallurgical development programs, and ultimately, how the deposit will be mined.

Also of importance is the delineation of higher-grade, near surface zones that provide the opportunity to significantly improve on mine scheduling (e.g. at a 350ppm U_3O_8 cutoff - 122 Mt @ 1.4% TREO, 404 ppm U_3O_8 , and at a 300ppm U_3O_8 cut-off - 200 Mt @ 1.3% TREO, 373ppm U_3O_8). The outcropping nature of the resource with highest grades in the upper portions, and an overall low waste-ore ratio, make the Kvanefjeld resource not only extremely large, but highly favourable from a mining perspective.



DIRECTORS' REPORT

Review of operations (cont'd)

New Deposits and Future Resource Focus

In early 2011, the Company announced drill results from new exploration targets within the broader northern Ilimaussaq project area. These results included some extremely encouraging drill intercepts, and importantly confirmed the presence of significant REE-uranium mineralisation outside of Kvanefjeld. Significant lujavrite-hosted REE-uranium mineralisation was identified at Steenstrupfjeld that lies adjacent to Kvanefjeld, and at Zones 2 and 3 that are located 6 - 7 kms away from the Kvanefjeld plateau.



The Consolidated group has initiated a program aimed at providing training and job opportunities for local workers.

During the 2011 field program, the Consolidated group conducted further drilling at Zones 2 and 3 with the aim of generating sufficient data to establish initial JORC-code compliant resource estimates. The 2011 field program represented the company's fifth successive and highly-productive field season in Greenland. Extensive intercepts of mineralised lujavrite were encountered at both Zones 2 and 3, and initial resource estimates are scheduled for completion late in Q1 2012.

The Board views the benefit of establishing initial resource estimates for Zones 2 and 3 as two-fold. Firstly, the global resource of the project will stand to grow substantially. While Kvanefjeld is already the largest JORC-code compliant REE resource globally, it is expected to move toward the upper ranks of uranium resources with the Zones 2 and 3 estimates. This only serves to further emphasise the strategic significance of the project. Secondly, the delineation of new deposits confirmed the geological theory that the mineralised horizon of lujavrite is present throughout most of the northern Ilimaussaq; with over 50 square km's of highly prospective ground remaining untested. This provides confidence that further REE-uranium deposits could readily be discovered in coming field programs.



DIRECTORS' REPORT

Review of operations (cont'd)

Zone 2

The Zone 2 discovery was expanded by drilling conducted in 2011 and has now been intersected over an area of 800 x 500m, and mineralisation remains open from the northwest through to the northeast. The deposit is characterized by a higher-grade upper lens that ranges from approximately 50 m to greater than 100 m in thickness, making it an attractive mining width. The upper lens overlies a larger, lower grade lens. The attractive uranium and REE grades of the upper lens are expected to increase the inventory of high-grade material in the overall project significantly.



Drilling at Zone 2

Zone 3

The 2011 drilling at Zone 3 continued to expand the mineralised envelope. The Zone 3 deposit outcrops along the eastern contact of the Ilimaussaq Complex. Drilling has now extended the mineralised envelope to approximately 250 x 600m. The mineralised panel at Zone 3 plunges back into the complex such that it remains open to the west. If it is decided that the area to the east of the Ilimaussaq complex is the most favorable location for the processing plant and related infrastructure, Zone 3 will be the closest resource to the processing plant.

Metallurgical Process Development

In 2011, the Consolidated group's metallurgical team made some major technical advances in establishing an optimal flow-sheet for the Kvanefjeld project. In Q1 2010, the Company released an Interim Pre-Feasibility report on the Kvanefjeld project. The study drew upon extensive historical metallurgical studies generated by Danish Government research agencies, as well as initial studies conducted by GMEL through 2008 and 2009.



DIRECTORS' REPORT

Review of operations (cont'd)



Work at the Consolidated group's operational base in Narsaq

The 2010 study clearly demonstrated that Kvanefjeld could be developed as a large-scale, long-life and cost effective producer of uranium and rare earth concentrates. The base-case flow-sheet outlined in the Interim Report features a whole-of-ore alkaline pressure leach circuit to extract uranium; a process that was designed and piloted successfully by Danish researchers, and further verified by GMEL testwork.

Following this leach stage, rare earth oxide ("REO") bearing minerals are concentrated using flotation to approximately halve the ore mass and double REO concentrations. This concentrate is then leached with acid to extract REOs and generate a REO concentrate.

Since the release of the Interim Report, GMEL has continued make significant technical advances that further enhance the project.

In 2011, the Company released a new mineral resource estimate for Kvanefjeld that saw an increase in overall tonnage, and the definition of high grade domains through the upper level of the resource. This allowed for an improvement in both REO and U_3O_8 grades in the mine schedule. Improvements were also made in REO recoveries in the base-case flowsheet.

However, the most significant technical development was the establishment of a means to effectively beneficiate the Kvanefjeld resources. This development followed on from extensive mineralogical studies that provided a comprehensive understanding of the minerals that make up the Kvanefjeld deposit. GMEL has been conducting a mineralogical research program at the University of British Columbia ("UBC"), Vancouver, since 2010; a program that has aided in improving the quality and understanding of mineral resources, as well as focussing beneficiation studies. The resources at Kvanefjeld are hosted by lujavrite; an unusual nepheline syenite. Within the lujavrite the dominant host to both uranium and REEs are unusual phospho-silicate and phosphate minerals. The most important of these is steenstrupine, with lesser vitusite. The balance of REEs and uranium are hosted in Na-Zr silicate minerals (lovozerite group).



DIRECTORS' REPORT

Review of operations (cont'd)

Major beneficiation breakthroughs were achieved in 2011, with the establishment of a flotation method to concentrate the bulk of REOs and uranium into <15% of the original mass. This development opened up a number of alternate options to the base-case scenario. The Consolidated group has been conducting leach studies on the flotation concentrates and initial studies suggest that the concentrate is amenable to leaching using conventional acid solutions under atmospheric conditions.

The technical breakthroughs in beneficiation and leaching allow for the establishment of an alternate, simple flowsheet with low technical risk. The development of this flowsheet is currently underway, and trade-off studies are evaluating it against the base-case flowsheet to ultimately firm up the optimal development scenario. The Consolidated group's aim is to drive the economics of the Kvanefjeld project by uranium and heavy rare earth production. Kvanefjeld will also produce light REE concentrates, but the Company aims to have flexibility in light REE production and pricing to reduce exposure to market risk.



A large community attendance at the Qaqortoq open day, the open days form part of the Consolidated group's community involvement and information program.

Introduction of a Uranium Licensing Framework for Kvanefjeld

Undoubtedly, one of the most important developments during 2011 was the introduction of a uranium licensing framework for the Kvanefjeld project by the Government of Greenland. Exploration license EL 2010/02 covers the northern Ilimaussaq complex and includes the world-class Kvanefjeld resource, along with the emerging satellite deposits Zones 2 and 3.



DIRECTORS' REPORT

Review of operations (cont'd)

Under the licensing framework in Greenland, the licensee maintains the right to apply for an exploitation (mining) license for all exploitable elements listed on the exploration license. Importantly EL 2010/02 now includes radioactive materials, providing the Consolidated group with the clear right to apply for the exploitation of radioactive elements along with all other exploitable elements. The granting of an exploitation license will be dependent on gaining government approval by establishing an environmentally and socially sustainable development scenario that is economically robust.

The amendment comes approximately one year after the Government of Greenland issued GMEL with an evaluation permit to allow for comprehensive feasibility studies to be conducted on a mineral deposit that includes uranium. Through the first half of 2011, the Consolidated group conducted extensive stakeholder engagement to establish the terms-of-reference for environmental and social impact assessments. These terms were approved by the government in July, and both the environmental impact assessment ("EIA") and social impact assessment ("SIA") are progressing on schedule. The Consolidated group expects to lodge an application for the exploitation of Kvanefjeld at the end of 2012.

The Consolidated group's license over the Kvanefjeld project is the first exploration license to be inclusive of uranium in Greenland. Greenland's move toward allowing uranium production is in line with a growing wave of support for uranium production in Arctic regions. In late 2011, Inuit groups in Newfoundland and Labrador approved the removal of a moratorium on uranium exploration and production, and the development of uranium mines in Nunavut is now well-advanced.

Finalisation of Terms to move to 100% Ownership of the Kvanefjeld Project

In August 2011, GMEL announced that it had finalised terms with Westrip and Rimbal Pty Ltd ("Rimbal") to acquire the outstanding 39% of the exploration license (EL 2010/02) over the northern Ilimaussaq Complex in Greenland that contains the Kvanefjeld multi-element deposit (rare earth elements, uranium, zinc) and nearby satellite deposits; namely Zones 2 and 3.

The Consolidated group firmly believed that in the context of the evolution of the Kvanefjeld project, it was increasingly important to move to 100% control. With political support firming up, a steadily growing resource base, and major metallurgical advances in the pipeline, 100% ownership of the project was becoming increasingly important to maximise future growth in the valuation of the Kvanefjeld project.

In summary the agreement provides for:

1. *GMEL to acquire the outstanding 39% of Greenland Minerals and Energy (Trading) A/S it does not own and thereby move to 100% ownership along with the termination of the joint venture agreement for the consideration outlined in point 2 below.*
2. *Pursuant to the agreement GMEL will pay the sum of \$39,000,000 (AUD) in cash, 7,825,000 shares, and 5,000,000 options (ex \$1.50) in a predetermined proportion to shareholders of Westrip Holdings, the joint venture vehicle.*
3. *GMEL has also entered into an off-take agreement for the lujavrite rock type from license 2010/24 located immediately to the south of the northern Ilimaussaq license. Lujavrite is the rock-type that is host to REE-U-Zn mineralisation at Kvanefjeld.*
4. *Dismissal of all legal proceedings with no orders as to costs.*
5. *Dismissal of the UK Proceedings and agreement by the Company and the minority shareholders of Westrip to lift the injunction granted by the High court of England and Wales over the minority interest of the joint venture also with no order as to costs.*



DIRECTORS' REPORT

Review of operations (cont'd)

Under the terms of the original agreement in August 2011, the company had until mid-January 2012 to complete the transaction. This has now been extended due to volatility in the financial markets, until June 15th 2012. The Company's priority is to take the least dilutive and lowest cost of capital route to insure minimal dilution to shareholders.

In summary, 2011 was a particularly significant year in that core aspects of the Kvanefjeld project were significantly de-risked, providing the Consolidated group with a solid foundation to drive the project toward development on schedule. This brings full focus to the project at a time when key technical developments are being finalized.

In early 2012 the Consolidated group aims to finalise the optimal flow-sheet for the Kvanefjeld project, before heading straight into detailed engineering design work. The aim is to establish a cost-effective development scenario with minimal technical and market risk; a scenario that can be readily implemented in Greenland with the potential to scale-up production to meet growing demand.

The definition of resources at Zones 2 and 3 will increase the global resource base significantly. On the basis of a strong year on 2011, GMEL is now well-placed to ensure Kvanefjeld is at the forefront of both emerging rare earth and uranium producing projects globally.



Chairman, Michael Hutchinson and Chief Operations Officer, Shaun Bunn on site at Kvanefjeld.



DIRECTORS' REPORT

Review of operations (cont'd)

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

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

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

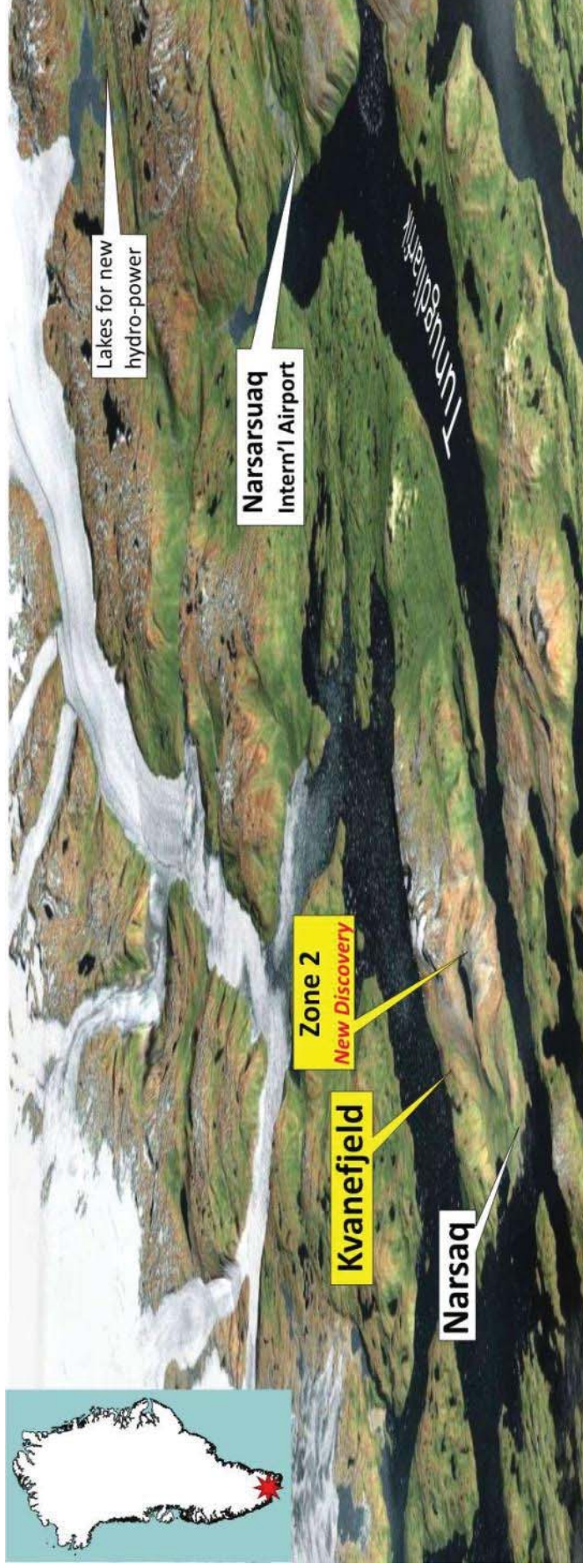
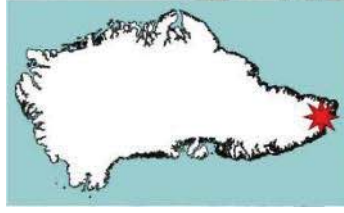
²Total Rare Earth Oxide (TREO) refers to the rare earth elements in the lanthanide series plus yttrium.

Note: Figures quoted may not sum due to rounding.



DIRECTORS' REPORT

Review of operations (cont'd)



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



DIRECTORS' REPORT

Review of operations (cont'd)



A view of Narsaq from Kvanefield



DIRECTORS' REPORT

Review of operations (cont'd)

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

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

Financial Position

The net assets of the Consolidated group were \$57,992,459 as at 31 December 2011 (2010: \$52,779,766).

The Consolidated group is in a strong financial position at the end of the financial year with sufficient financial resources to undertake its immediate objectives. The Consolidated group's objective is to locate new mineral discoveries that significantly upgrade the value of its projects and consider other opportunities in Greenland's resources sector.

Information on Director

Michael Hutchinson - Non-Executive Chairman – Appointed 25 November 2008

Special responsibilities

Member of the Remuneration Committee (Chairman)
Member of the Audit Committee

Qualifications

BSc (Hons) Geography

Experience

Mr Michael Hutchinson has had a distinguished career in resources and commodity trading, having served as Director of the London Metal Exchange, the world's largest market in options and futures contracts on base and other metals.

Mr Hutchinson also served as Chairman of RBS Sempra Metals Limited, and Wogen PLC; a trader of off-exchange metals that sources metals worldwide for industrial end users. In addition, Mr Hutchinson previously served as a director of MG PLC.



DIRECTORS' REPORT

Information on Directors (cont'd)

Michael Hutchinson (cont'd)

Interest in shares, options and performance rights

1,400,000 Unvested performance rights

Directorships held in other listed entities

Non-executive director - Mecom Plc – since April 2009

Former directorships in other- listed entities in the last 3 years

Wogen Plc – July 2009 to November 2009

Roderick McIlree - Managing Director – Appointed 23 March 2007

Qualifications

B.Sc. (Mineral Exploration and Mining Geology), G.Cert. (Mineral Economics) MAusIMM.

Experience

Mr Roderick McIlree graduated from Curtin University of Technology in 1996 with a Bachelor of Science degree (Mineral Exploration and Mining Geology) and commenced a career in the minerals industry. Working in Western Australia's goldfields for companies including Placer Dome and Wiluna Gold, Roderick gained experience in all facets of mineral exploration and mining.

Roderick then headed abroad, gaining international experience in the prolific mineral belts of Chile, before returning to Australia's gold sector. After completing a graduate diploma in Mineral Economics, Roderick moved into the finance sector and worked as an analyst and advisor for broking houses active in Australian and international capital markets. This further broadened his experience, following emerging mining projects in Australia, Indonesia, Congo, and the Philippines. This led Roderick to aiding in the establishment of several successful mining ventures including Medusa Mining, Anvil Mining, and Kingsrose Mining.

Roderick was the founding Managing Director of 'The Gold Company' (now Greenland Minerals and Energy Ltd), and was instrumental in the company's push into Greenland and the acquisition to Kvanefjeld project in 2007. Since then, Roderick's drive, focus and enthusiasm has been critical to evolution of Greenland Minerals and Energy Ltd, where he has built an organisation of top level mineral's industry professionals, and has successfully established the company's increasing international profile.

Interest in shares, options and performance rights

11,411,456 Ordinary Shares

2,800,000 Unvested unlisted options

2,700,000 Unvested performance rights

Other board positions held in the last 3 years

Convergent Minerals Limited – July 2006, Resigned 19 Dec 2011



DIRECTORS' REPORT

Information on Directors (cont'd)

Simon Cato - Executive Director – Appointed 21 February 2006

Qualifications

B.A.

Experience

Mr Cato has over 25 years capital markets experience in broking, regulatory roles and as director of listed companies. He initially was employed by the ASX in Sydney and in Perth.

During the last 19 years he has been an executive director and/or responsible executive of 3 stockbroking firms and in those roles he has been involved in many aspects of broking including management issues such as credit control and reporting to regulatory bodies in the securities industry. As a broker he has also been involved in the underwriting of a number of initial public offers and has been through the process of an initial public offer listing in a dual role of broker and director. Currently he holds a number of executive and non-executive roles with listed companies in Australia.

Interest in shares, options and performance rights

4,712,200 Ordinary shares

600,000 Unvested performance rights

Other board positions held

Chairman of:

Advanced Share Registry Limited - since August 2007.

Director of:

Bentley International Limited – since February 2004

Queste Communications Limited – since February 2008

Transaction Solutions International Limited – since February 2010

Positions held in the last 3 Years

Convergent Minerals Limited - July 2006 to 19 Dec 2011

Sofcom Limited – January 2004 to March 2008

Scarborough Equities Limited – November 2004 to March 2009

Dr John Mair – Executive Director – Appointed 7 October 2011

Qualifications

PhD (Geol), MAus IMM

Experience

Dr John Mair completed a Bachelor of Science with Honours, majoring in geology, at the University of Western Australia, before commencing a career in the minerals sector, working in gold exploration and mining in Western Australia's goldfields. He returned to the university system to undertake a PhD study on the gold and base metal deposits of Canada's Yukon Territory and east-central Alaska. After completing the PhD in 2004, John returned to the minerals industry working in exploration for porphyry Cu-Au deposits in New South Wales, and gold deposits in China. In mid-2005 John took the position of Post-Doctoral Research Fellow at the University of British Columbia, with a focus on the metallogeny of southwest Alaska.

At completion of the project in 2006, John returned to the minerals industry as a project co-coordinator for Vancouver-based exploration group Geoinformatics Exploration Inc., who in alliance with Kennecott, were exploring for Cu-Mo-Au deposits in western North America from Mexico to Alaska. During this period, John planned and implemented large-scale exploration programs through remote northern British Columbia, as well as providing technical expertise to exploration programs in Alaska and Mexico. In mid-2008 John returned to Australia to join Greenland Minerals and Energy Limited as General Manager.



DIRECTORS' REPORT

Information on Directors (cont'd)

John Mair (cont'd)

John has published several papers in leading international scientific journals on tectonics, structural geology, mineral deposit geology, igneous petrology and mineralogy. He has also presented at Masters short courses on ore deposit geology. Of particular relevance is his understanding of the behavior of rare earth elements, and is experienced in separating pure rare earth elements from a wide variety of rock types from start to finish. He is a member of the Society of Economic Geologists and the Australian Institute of Mining and Metallurgy.

Since 2008, John has been instrumental in the technical development of the Kvanefjeld project, and also in the corporate evolution of the company. He presents on the Company's behalf in commercial, technical and political forums internationally.

Interest in shares, options and performance rights

5,110,000 Ordinary Shares

2,100,000 Unvested unlisted options

2,100,000 Unvested performance rights

Other board positions held

Nil

Anthony Ho - Non-Executive Director - Appointed 9 August 2007

Special responsibilities

Member of the Audit Committee (Chairman)

Member of the Remuneration Committee

Qualifications

B.Comm, CA, FAICD, FCIS

Experience

Mr Tony Ho is an experienced company director having held executive directors and chief financial officer roles with a number of publicly listed companies. Tony was executive director of Arthur Yates & Co Limited, retiring from that position in April 2002. His corporate and governance experience include being chief financial officer/finance director of M.S. McLeod Holdings Limited, Galore Group Limited, the Edward H O'Brien group of companies and Volante Group Limited.

Mr Ho was the past non-executive chairman of St. George Community Housing Limited (November 2002 to December 2009) where he was also a member of the Audit and Remuneration Committees. Prior to joining commerce, Mr Ho was a partner of Cox Johnston & Co, Chartered Accountants, which has since merged with Ernst & Young.

Mr Ho holds a Bachelor of Commerce degree from the University of New South Wales and is a member of the Institute of Chartered Accountants in Australia and a fellow of both the Chartered Institute of Company Secretaries and the Institute of Company Directors.



DIRECTORS' REPORT

Information on Directors (cont'd)

Anthony Ho (cont'd)

Interest in shares & options

250,000 Ordinary Shares

600,000 Unvested performance rights

Other board positions held

Non-executive director – Metal Bank Limited, October 2011 and chairman of the Audit Committee

Chairman - Apollo Minerals Limited, July 2009 and chairman of the Audit Committee

Non-executive director - Hastings Rare Metals Limited, March 2011 and chairman of the Audit Committee

Non-executive director - DoloMatrix International Limited, April 2007 and chairs the Audit and Compliance Committee;

Board positions held in the last 3 years

Chairman Esperance Minerals Limited – July 2008 to March 2010

Jeremy Sean Whybrow – Non-executive director – Appointed 21 February 2006

Qualifications

B.Sc. (Mineral Exploration and Mining Geology), G.Cert(Minerals Economics), M.Aus.I.M.M

Experience

Mr Jeremy Whybrow graduated from Curtin University of Technology in 1996 with a Bachelor of Science degree (Mineral Exploration and Mining Geology), and has had over 15 years experience in the minerals industry both domestically and internationally.

Jeremy has worked for companies such as Sons of Gwalia Ltd, PacMin Ltd, Teck Australia Ltd, Mount Edon Gold Mines Ltd and Croesus Mining NL. His experience has been mainly in the operational environment and includes significant exposure to exploration and mining operations, project evaluation and feasibility studies.

Jeremy also has extensive international exploration experience having worked in China, Africa and the Philippines as well as numerous localities in Australia.

As a founding director of Greenland Minerals and Energy, Jeremy has been instrumental in conducting the exploration programs that have seen the Kvanefjeld project emerge as the world's largest resource of rare earth elements (as defined by internationally recognized reporting standards). Drawing on his solid foundation of operational experience Jeremy put in place many of the systems critical to generating the high-quality datasets that underpin the projects mineral resources.

Interest in Shares, options and performance rights

6,010,200 Ordinary shares

1,000,000 Unvested performance rights

Directorships held in other listed entities

Noricom Gold Limited – November 2010, Non-executive director

Positions held in the last 3 Years

Convergent Minerals Limited. – January 2006 to 19 December 2011



DIRECTORS' REPORT

Remuneration Report – Audited

This remuneration report, which forms part of the directors' report, details the nature and amount of remuneration for each director of Greenland Minerals and Energy Limited and senior management, for the financial year ended 31 December 2011.

Director and senior management details

The following persons acted as directors of the Company during or since the end of the financial year:

Michael Hutchinson, Chairman
Roderick Claude McIlree, Managing Director
John Mair, Executive Director – appointed 7th October 2011
Simon Kenneth Cato, Executive Director
Anthony Ho, Non-Executive Director
Jeremy Sean Whybrow, Non-Executive Director

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted above, the named persons held their current position for the whole of the financial year and since the end of the financial period:

Shaun Bunn, **Chief Operations Officer**
Miles Guy, **Chief Financial Officer and Company Secretary**

Remuneration Policy

The remuneration policy of Greenland Minerals and Energy Limited has been designed to align director and senior management objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance indicators affecting the Consolidated group's financial results. The board of Greenland Minerals and Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best senior management and directors to run and manage the Consolidated group, as well as create alignment of interests between directors, senior management and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated group is as follows:

All senior management receives a market rate base salary (which is based on factors such as length of service and experience) and superannuation.

The directors and senior management, where applicable receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors and senior management is valued at the cost to the Consolidated group and expensed. Options and rights granted to directors and senior management as part of remuneration are valued at grant date using appropriate valuation techniques.

The board policy is to remunerate non-executive directors with a base fee and, for special exertion, at market rates for time, commitment and responsibilities. The board as a whole, fulfilling the role of the remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market rates, their specific duties and responsibilities. Additional consultancy fees may be payable where the non-executive director has had additional responsibilities associated with specific tasks or responsibilities outside their normal duties.



DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The current shareholder approved cap on these fees is \$400,000 per annum. Fees for non-executive directors are not linked to the performance of the Consolidated group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Details of Remuneration

The remuneration for the directors and senior management of the Company during the current financial year was as follows:

	Short Term			TOTAL CASH PAYMENT	Long Term			TOTAL REMUNER- ATION	% Consisting of share based payments
	Salary/ consultancy fees	Director fees	Post - employment		Share based payments Fair Value		Provision for long service leave		
			Super- annuation		Rights (i)	Options (ii)			
Year ended									
31 Dec 2011	\$	\$	\$	\$	\$	\$	\$	\$	
Executive Directors									
Simon Cato	140,000	-	12,600	152,600	73,831	-	12,250	238,681	31%
Roderick McIlfree	408,000	-	36,720	444,720	618,907	365,557	29,168	1,458,352	67%
John Mair (iii)	312,500	-	28,125	340,625	481,372	275,021	-	1,097,018	69%
Non-executive Directors									
Anthony Ho	67,500	50,000	4,500	122,000	78,577	-	-	200,577	39%
Michael Hutchinson	-	207,069	-	207,069	181,072	-	-	388,141	47%
Jeremy Whybrow	152,500	45,000	17,775	215,275	128,492	-	21,876	365,643	35%
Senior Management									
Shaun Bunn	345,000	-	23,626	368,626	418,372	548,888	-	1,335,886	72%
Miles Guy	199,444	-	17,950	217,394	44,602	-	-	261,996	17%
Total	1,624,944	302,069	141,296	2,068,309	2,025,225	1,189,466	63,294	5,346,294	60%

- (i) All performance rights are Long Term Incentives that are subject to service period and share price vesting conditions which are detailed further in note 25 to the financial statements and can not be converted to fully paid shares unless the vesting conditions are satisfied.
- (ii) With the exception of 750,000 options with an exercise prices of \$0.25 (fair value \$261,587) all options are Long Term Incentives that are subject to service period and share price vesting conditions which are detailed further in note 25 to the financial statements and can not be converted to fully paid shares unless the vesting conditions are satisfied.
- (iii) John Mair was appointed an Executive Director 7 October 2011, prior to this date Mr Mair held the senior management position of General Manager.



DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

The remuneration for the directors and senior management of the Company during the prior financial year was as follows:

	Short Term			TOTAL CASH PAYMENT	Long Term			TOTAL REMUNER- ATION	% Consisting of share based payments
	Salary/ consultancy fees	Director fees	Post - employment		Share based payments Fair Value		Provision for long service leave		
			Super- annuation		Rights (i)	Options (ii)			
Year ended									
31 Dec 2010	\$	\$	\$	\$	\$	\$	\$	\$	
Executive Directors									
Simon Cato	127,500	10,000	12,375	149,875	-	-	-	149,875	-
Roderick McIlree	199,500	12,500	19,080	231,080	-	-	-	231,000	-
Jeremy Whybrow	50,000	30,000	7,200	87,200	-	-	-	87,200	-
Non-executive Directors									
Anthony Ho	-	59,000	4,500	63,500	-	-	-	63,500	-
Michael Hutchinson	-	190,462	-	190,462	-	-	-	190,462	-
Malcolm Mason (i)	-	43,333	-	43,333	-	-	-	43,333	-
Hans Kristian Schönwandt (ii)	-	-	-	-	-	-	-	-	-
Senior Management									
Shaun Bunn	337,500	-	-	337,500	-	-	-	337,500	-
Miles Guy	90,000	-	8,100	98,100	-	-	-	98,100	-
John Mair	200,000	-	18,000	218,000	-	-	-	218,000	-
Total	1,004,500	345,295	69,255	1,419,050	-	-	-	1,419,050	-

(i) Resigned 28 September 2010

(ii) Resigned 9 March 2010

No director or senior management person appointed during the current or prior period received a payment as part of his consideration for agreeing to hold the position.

No cash bonuses were paid to any directors or senior management during the current or prior period.

Employee share option plan ('ESOP')

Greenland Minerals and Energy Limited operates an ownership-based scheme for senior management and employees of the Consolidated group. In accordance with the provisions of the ESOP, as approved by shareholders at the general meeting on the 25 June 2009, eligible employees can be offered participation in the ESOP, at the discretion of the Board. The Board's discretion will be based on the consideration of, among other things, seniority of the person, length of service of the eligible employee with the consolidated group and the potential contribution of the eligible employee to the growth of the Consolidated group.



DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

On exercise, each employee share option converts into one ordinary share of Greenland Minerals and Energy Limited. No amounts are paid or payable by the recipient on receipt of the option. The options carry, neither dividends or voting rights. There are no additional vesting conditions attached to the options and the options may be exercised at any time up to the date of expiry. The expiry date of the options issued under the employee share option plan, is 30 June 2011. The ESOP will continue until such time that all existing option holders have dealt with their option entitlements. At that time the ESOP will formally cease. No further options will be issued to employees pursuant to the ESOP. All options issued under the ESOP were either exercised on or before 30 June 2011 and options that were not exercised by this date lapsed.

Employee performance rights plan

At the Company's Annual General Meeting, on 12 May 2011, members approved the implementation of an Employee Performance Rights Plan ("EPRP"). The plan is a result of a comprehensive remuneration review the Company conducted, in consultation with independent consultants. The aim of the plan is to assist in the retention of existing staff and the recruitment of future employees.

Under the EPRP, the Company will issue incentive shares to employees as part of their total remuneration package. The plan will result in a direct cost saving to the Company through a reduction in the salary component payable in remuneration packages.

Upon satisfying clearly pre-determined vesting conditions, each right issued under the EPRP will be convertible into one fully paid ordinary share of the Company. To meet the vesting criteria, the employee must remain an employee of the Company for a minimum of two years (service period). In addition the performance rights will vest in three tranches based on the Company's Volume Weighted Average Share Price ("VWAP") exceeding price hurdles for 10 consecutive trading days.

Tranche	10 Day VWAP share price hurdle
Tranche 1	\$1.50
Tranche 2	\$1.85
Tranche 3	\$2.50

No amounts are paid or payable by the recipient on receipt of the performance right. The performance rights carry neither rights to dividends nor voting rights and are non-transferrable.

The following performance rights were issued to directors and senior management during the current financial year.

Director/ senior management	Grant date	Number	Fair value @ grant date \$	Expiry date	Vesting date
R McIlree					
Tranche 1	15/05/2011	900,000	596,944	15/05/2014	Refer above
Tranche 2	15/05/2011	900,000	551,736	15/05/2014	Refer above
Tranche 3	15/05/2011	900,000	501,984	15/05/2014	Refer above
Total		2,700,000	1,650,420		



DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

Director/senior management	Grant date	Number	Fair value @ grant date (i) \$	Expiry date	Vesting date
S Cato					
Tranche 1	15/05/2011	100,000	40,992	15/05/2014	Refer above
Tranche 2	15/05/2011	200,000	70,884	15/05/2014	Refer above
Tranche 3	15/05/2011	300,000	85,008	15/05/2014	Refer above
Total		600,000	196,884		
J Mair					
Tranche 1	15/05/2011	700,000	464,100	15/05/2014	Refer above
Tranche 2	15/05/2011	700,000	429,128	15/05/2014	Refer above
Tranche 3	15/05/2011	700,000	390,432	15/05/2014	Refer above
Total		2,100,000	1,283,660		
A Ho					
Tranche 1	15/05/2011	200,000	81,984	15/05/2014	Refer above
Tranche 2	15/05/2011	200,000	70,884	15/05/2014	Refer above
Tranche 3	15/05/2011	200,000	56,672	15/05/2014	Refer above
Total		600,000	209,540		
M Hutchinson					
Tranche 1	15/05/2011	400,000	163,968	15/05/2014	Refer above
Tranche 2	15/05/2011	500,000	177,210	15/05/2014	Refer above
Tranche 3	15/05/2011	500,000	141,680	15/05/2014	Refer above
Total		1,400,000	482,858		
J Whybrow					
Tranche 1	15/05/2011	300,000	122,976	15/05/2014	Refer above
Tranche 2	15/05/2011	300,000	106,326	15/05/2014	Refer above
Tranche 3	15/05/2011	400,000	113,344	15/05/2014	Refer above
Total		1,000,000	342,646		
S Bunn					
Tranche 1	15/05/2011	700,000	464,100	15/05/2014	Refer above
Tranche 2	15/05/2011	700,000	429,128	15/05/2014	Refer above
Tranche 3	15/05/2011	700,000	390,432	15/05/2014	Refer above
Total		2,100,000	1,283,660		
M Guy					
Tranche 1	15/05/2011	100,000	40,992	15/05/2014	Refer above
Tranche 2	15/05/2011	100,000	35,442	15/05/2014	Refer above
Tranche 3	15/05/2011	150,000	42,504	15/05/2014	Refer above
Total		350,000	118,938		

- (i) Fair value at grant date has been calculated using a binominal model (refer to note 25) the value will be recognised in remuneration on a pro-rata basis over the service vesting period in accordance with Australian Accounting Standards.



DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

Performance options

At the Company's Annual General Meeting on 12 May 2011, in addition to approving the EPRP, members approved the issue of unvested performance options to certain directors and senior management. The options have an exercise price of \$1.75 and are subject to pre-determined vesting conditions. To meet the vesting criteria, a two year service period from the grant date must be satisfied and will vest in three tranches based on the Company's Volume Weighted Average Share Price ("VWAP") exceeding price hurdles for 10 consecutive trading days.

Tranche	10 Day VWAP share price hurdle
Tranche 1	\$3.75
Tranche 2	\$5.00
Tranche 3	\$6.25

No amounts are paid or payable by the recipient on receipt of the options. The options are unvested and unlisted, carry neither rights to dividends nor voting rights and are non-transferrable.

On satisfying the vesting conditions, the options can be excised by the payment of the \$1.75 per option exercise price. On exercising each option will be converted to one fully paid ordinary share in Greenland Minerals and Energy limited.

As approved by shareholders, the following unvested performance options with an exercise price of \$1.75 were issued during the year ended 31 Dec 2011:

Director/ senior management	Grant date	Number	Fair value @ grant date (i) \$	Expiry date	Vesting date
R McIlree					
Tranche 1	15/05/2011	900,000	368,928	31/08/2013	Refer above
Tranche 2	15/05/2011	950,000	336,699	31/08/2013	Refer above
Tranche 3	15/05/2011	950,000	269,192	31/08/2013	Refer above
Total		2,700,000	974,819		
J Mair					
Tranche 1	15/05/2011	700,000	286,944	31/08/2013	Refer above
Tranche 2	15/05/2011	700,000	248,094	31/08/2013	Refer above
Tranche 3	15/05/2011	700,000	198,352	31/08/2013	Refer above
Total		2,100,000	733,390		
S Bunn					
Tranche 1	15/05/2011	700,000	286,944	31/08/2013	Refer above
Tranche 2	15/05/2011	700,000	248,094	31/08/2013	Refer above
Tranche 3	15/05/2011	700,000	198,352	31/08/2013	Refer above
Total		2,100,000	733,390		

- (i) Fair value at grant date has been calculated using a binominal model (refer to note 25) the value will be recognised in remuneration on a pro-rata basis over the service vesting period in accordance with Australian Accounting Standards.



DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

Employee options

During the current financial year, the employment contract with Shaun Bunn was re-negotiated with Mr Bunn moving from a service contract arrangement to an employment contract. Due to the completion of various project related milestones, whilst engaged under the service contract, Mr Bunn was granted 750,000 options with an exercise price of \$0.25. There were no vesting conditions attached to these options and each option on exercise converts to one fully paid ordinary share of Greenland Minerals and Energy Limited.

Details of \$0.25 employee options issued during the current financial year:

senior management	Grant date	Number	Fair value@ grant date \$	Expiry date
S Bunn	21/10/2011	750,000	261,587	31/03/2013

- (i) Fair value at grant date has been calculated using a Black Scholes model (refer to note 25), as there are no further vesting conditions attached to the options the full fair value has been recognised in remuneration in the current financial year.

Options exercised

The follow options were exercised by directors and senior management during the current financial year. Each options converts into one ordinary share of Greenland Minerals and Energy Limited.

The following options issued to directors and senior management, were exercised during the financial year ended 31 December 2011:

	Date	Number Exercised (i)	Exercise Price	Share price @ exercise date	Amount Paid \$	Amount unpaid \$	Option value at date of exercise \$
R McIlree	16/06/2011	4,400,000	\$0.20	\$0.51	880,000	-	1,364,000
S Cato	29/04/2011	1,550,100	\$0.20	\$0.81	310,200	-	945,561
	07/06/2011	1,992,000	\$0.20	\$0.59	398,400	-	776,880
	23/06/2011	250,000	\$0.20	\$0.69	50,000	-	122,500
J Whybrow	28/06/2011	4,400,000	\$0.20	\$0.68	880,000	-	2,112,000
J Mair	30/06/2011	250,000	\$0.50	\$0.71	125,000	-	52,500
S Bunn	02/02/2011	250,000	\$0.50	\$1.17	125,000	-	167,500

- (i) The number of options exercised relates only to options exercised that were granted as compensation and recognised in remuneration in prior years.



DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

The following options issued to directors and management, were exercised during the financial year ended 31 December 2010:

	Date	Number Exercised (i)	Exercise Price	Share price @ exercise date	Amount Paid \$	Amount unpaid \$	Option value at date of exercise \$
M Mason	12/01/2010	400,000	\$0.20	\$0.70	80,000	-	200,000
S Bunn	25/11/2010	750,000	\$0.10	\$0.95	75,000		637,500

Lapsed options

During the current financial year the following options issued to directors and senior management lapsed either as a result of vesting conditions not being satisfied or the exercise price of the option being in excess of the company's market share price.

Director/senior management	Number	Value @ grant date	Lapse date	Value @ lapse date
R McIlree (i)	2,200,000	2,819,000	30/06/2011	1,122,000
S Cato (i)	2,200,000	2,819,000	30/06/2011	1,122,000
J Whybrow (i)	2,200,000	2,819,000	30/06/2011	1,122,000
M Hutchinson (ii)	2,000,000	258,600	30/06/2011	-
A Ho (ii)	500,000	88,442	30/06/2011	-
A Ho (ii)	500,000	67,988	30/06/2011	-

(i) Options lapsed as a result of not meeting vesting conditions prior to the option expiry date.

(ii) Options expired due to exercise price being in excess of the Company's market share price.

During the financial period, the following share-based payment arrangements were applicable:

Options series	Grant date	Expiry date	Grant date fair value	Vesting date
3	31/07/2007	30/06/2011	16,803,513	09/04/2011
3	31/07/2007	30/06/2011	8,457,000	(i)
13	25/06/2009	30/06/2011	371,200	25/06/2009
14	25/06/2009	30/06/2011	258,600	25/06/2009
15	20/08/2009	30/06/2011	387,267	20/08/2009
16	20/08/2009	30/06/2011	261,756	20/08/2009
17	10/11/2009	30/06/2011	88,442	10/11/2009
18	10/11/2009	30/06/2011	67,988	10/11/2009
Performance rights	15/05/2011	15/05/2014	5,568,606	(ii)
Performance options	15/05/2011	31/08/2013	2,441,599	(iii)
19 – Employee options	21/10/2011	30/06/2013	261,587	21/10/2011

(i) The following vesting conditions are attached to the options issued.

Tranche	Number of options	Vesting hurdle
3	2,200,000	The volume weighted average share price on the ASX of the Company's fully paid shares is \$1.50 or more for 20 consecutive trading days

(ii) The performance rights are subject to a 2 year service period vesting requirement and Company share prices hurdles. The performance rights will vest in 3 tranches on the Company share price based on the volume weighted average ('VWAP') exceed the following prices:



DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

	10 Day VWAP share price hurdle
Tranche 1	\$1.50
Tranche 2	\$1.85
Tranche 3	\$2.50

(iii) The performance options are subject to a 2 year service period vesting requirement and Company share prices hurdles. The performance options will vest in 3 tranches on the Company share price based on the volume weighted average ('VWAP') exceed the following prices:

Tranche	10 Day VWAP share price hurdle
Tranche 1	\$3.75
Tranche 2	\$5.00
Tranche 3	\$6.25

There are no further service or performance criteria that need to be met in relation to any of the above option series.

Consolidated group performance, shareholder wealth and director and senior management remuneration

The remuneration policy has been tailored to align the interests of shareholders, directors and senior management. To achieve this aim, the entity may issue options to directors and senior management. Any issue of options is based on the performance of the Consolidated group and or individual and is limited to the achievement of clearly defined bench marks and milestones. These bench marks and milestones include:

- Share price and or the market capitalisation of the Company exceeding pre-determined levels.
- Completion of specific projects or pre-determined stages of projects.
- Periods of service with the Company.
- Accretion of shareholder value.

The following table shows the gross revenue and profits for the period from 30 June 2007 to 31 December 2011 for the listed entity, as well as the share price at the end of each financial period.

Remuneration Report	12 Month period ended 31 Dec 2011	6 Month period ended 31 Dec 2010	12 Month period ended 31 Dec 2009	12 month period ended 30 Jun 2009	12 month period ended 30 Jun 2008
Revenue	\$1,116,879	\$717,276	\$387,977	\$1,279,120	\$1,334,337
Net loss before and after tax	\$(14,209,550)	\$(7,163,998)	\$(3,823,380)	\$(4,014,473)	\$(202,767,366)
Share price at beginning of period	\$1.20	\$0.58	\$0.36	\$0.66	\$1.75
Share price at end of period	\$0.46	\$1.20	\$0.58	\$0.36	\$0.66
Dividend	-	-	-	-	-
Basic loss per share	\$0.04	\$0.03	\$0.02	\$0.02	\$1.25
Diluted loss per share	\$0.04	\$0.03	\$0.02	\$0.02	\$1.25



DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

Key terms of employment contracts

Michael Hutchinson, Non-executive Chairman – Non-Executive Chairman from 6 December 2011 (previously Executive Chairman)

- Director fee excluding superannuation for the period ended 31 December 2011 of £100,000 per annum.
- Entitled to be reimbursed for all out of pocket expenses necessarily incurred in the performance of his duties including relating to travel, entertainment, accommodation, meals and telephone.
- No fixed term.

Roderick McIlree, Managing Director

- Term and type of contract – service agreement subject to annual review.
- Base salary, for the period ended 31 December 2011 of \$500,000 per annum and is paid monthly two weeks in advance and two weeks in arrears.
- Superannuation at 9% is payable on the base salary.
- Entitled to be reimbursed for all out of pocket expenses necessarily incurred in the performance of their duties including relating to travel, entertainment, accommodation, meals and telephone.
- Either the Company or the director may terminate their engagement without cause by giving the other party three months written notice, there are no other specific payout clauses.
- Remuneration will be reviewed every 12 months or as otherwise agreed between the parties.

Simon Cato, Executive Director

- Term and type of contract – service agreement limited to a maximum of 80 hours per month subject to annual review.
- Base salary, for the period ended 31 December 2011 of \$140,000 per annum and is paid monthly two weeks in advance and two weeks in arrears.
- Superannuation at 9% is payable on the base salary.
- Entitled to be reimbursed for all out of pocket expenses necessarily incurred in the performance of his duties including relating to travel, entertainment, accommodation, meals and telephone.
- Either the Company or the director may terminate their engagement without cause by giving the other party three months written notice, there are no other specific payout clauses.
- Remuneration will be reviewed every 12 months or as otherwise agreed between the parties.

John Mair, General Manager

- Term and type of contract – service agreement subject to annual review.
- Base salary, for the period ended 31 December 2011 of \$350,000 per annum and is paid monthly two weeks in advance and two weeks in arrears.
- Superannuation at 9% is payable on the base salary.
- Entitled to be reimbursed for all out of pocket expenses necessarily incurred in the performance of his duties including relating to travel, entertainment, accommodation, meals and telephone.
- Either the Company or the employee may terminate his engagement without cause by giving the other party three months written notice, there are no other specific payout clauses.
- Remuneration will be reviewed every 12 months or as otherwise agreed between the parties.



DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

Anthony Ho, *Non-Executive Director*

- No fixed term.
- \$50,000 per annum.
- Superannuation at 9% is payable on the director's fee
- Entitled to be reimbursed for all out of pocket expenses necessarily incurred in the performance of his duties including relating to travel, entertainment, accommodation, meals and telephone.

Jeremy Whybrow, *Non-Executive Director*

- Term and type of contract – service agreement subject to annual review.
- Director fees \$45,000 per annum
- Base salary, for the period ended 31 December 2011 of \$205,000 per annum and is paid monthly two weeks in advance and two weeks in arrears.
- Superannuation at 9% is payable on the base salary.
- Entitled to be reimbursed for all out of pocket expenses necessarily incurred in the performance of his duties including relating to travel, entertainment, accommodation, meals and telephone.
- Either the Company or the employee may terminate his engagement without cause by giving the other party three months written notice, there are no other specific payout clauses.
- Remuneration will be reviewed every 12 months or as otherwise agreed between the parties.

Shaun Bunn, *Chief Operations Officer*

- Term and type of contract – service agreement subject to annual review.
- Base salary, for the period ended 31 December 2011 of \$350,000 per annum and is paid monthly two weeks in advance and two weeks in arrears.
- Superannuation at 9% is payable on the base salary.
- Entitled to be reimbursed for all out of pocket expenses necessarily incurred in the performance of his duties including relating to travel, entertainment, accommodation, meals and telephone.
- Either the Company or the employee may terminate his engagement without cause by giving the other party three months written notice, there are no other specific payout clauses.
- Remuneration will be reviewed every 12 months or as otherwise agreed between the parties.

Miles Guy, *Chief Financial Officer and Company Secretary*

- Term and type of contract – service agreement subject to annual review.
- Base salary, for the period ended 31 December 2011 of \$200,000 per annum and is paid monthly two weeks in advance and two weeks in arrears.
- Superannuation at 9% is payable on the base salary.
- Entitled to be reimbursed for all out of pocket expenses necessarily incurred in the performance of his duties including relating to travel, entertainment, accommodation, meals and telephone.
- Either the Company or the employee may terminate his engagement without cause by giving the other party three months written notice, there are no other specific payout clauses.
- Remuneration will be reviewed every 12 months or as otherwise agreed between the parties.



DIRECTORS' REPORT

Meetings of Directors

During the financial year, 16 meetings of directors were held. Attendances by each director during the year were as follows:

Director	Directors Meetings	
	Number of meetings eligible to attend	Number attended
M Hutchinson	16	14
R McIlree	15	14
S Cato	15	15
J Mair	5	5
A Ho	16	16
J Whybrow	16	16

Audit Committee

The audit committee was convened at the Directors' Board Meeting on the 22 April 2009. The audit committee members are Anthony Ho (Chairman), Jeremy Whybrow (appointed 28 September 2010). The audit committee is to meet at least twice a year and must have a quorum of two members. There was 1 audit committee meeting held during the current 12 month reporting period, as follows:

Member	Audit Committee Meetings	
	Number of meetings eligible to attend	Number Attended
A Ho	1	1
M Hutchinson	-	-
J Whybrow	1	1

Remuneration Committee

There were no remuneration committee meetings held during the year.

Indemnifying Officers

During or since the end of the financial period the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premium to insure the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the director of the Consolidated group, other than conduct involving a willful breach of duty in relation to the Consolidated group.

Proceedings on Behalf of Consolidated group

No person has applied for leave of court to bring proceedings on behalf of the consolidated group or intervene in any proceedings to which the Consolidated group is a party for the purpose of taking responsibility on behalf of the consolidated group for all or any part of those proceedings.

The Consolidated group was not a party to any such proceedings during the period.

Non-audit Services

Details of amounts paid to the auditors of the Company, Deloitte Touche Tohmatsu and its related practices for audit and any non audit services for the year, are set out in note 31.



DIRECTORS' REPORT

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2010 has been received and is included on page 38 the financial report.

Rounding off of amounts

The Consolidated group is a consolidated group of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998. In accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

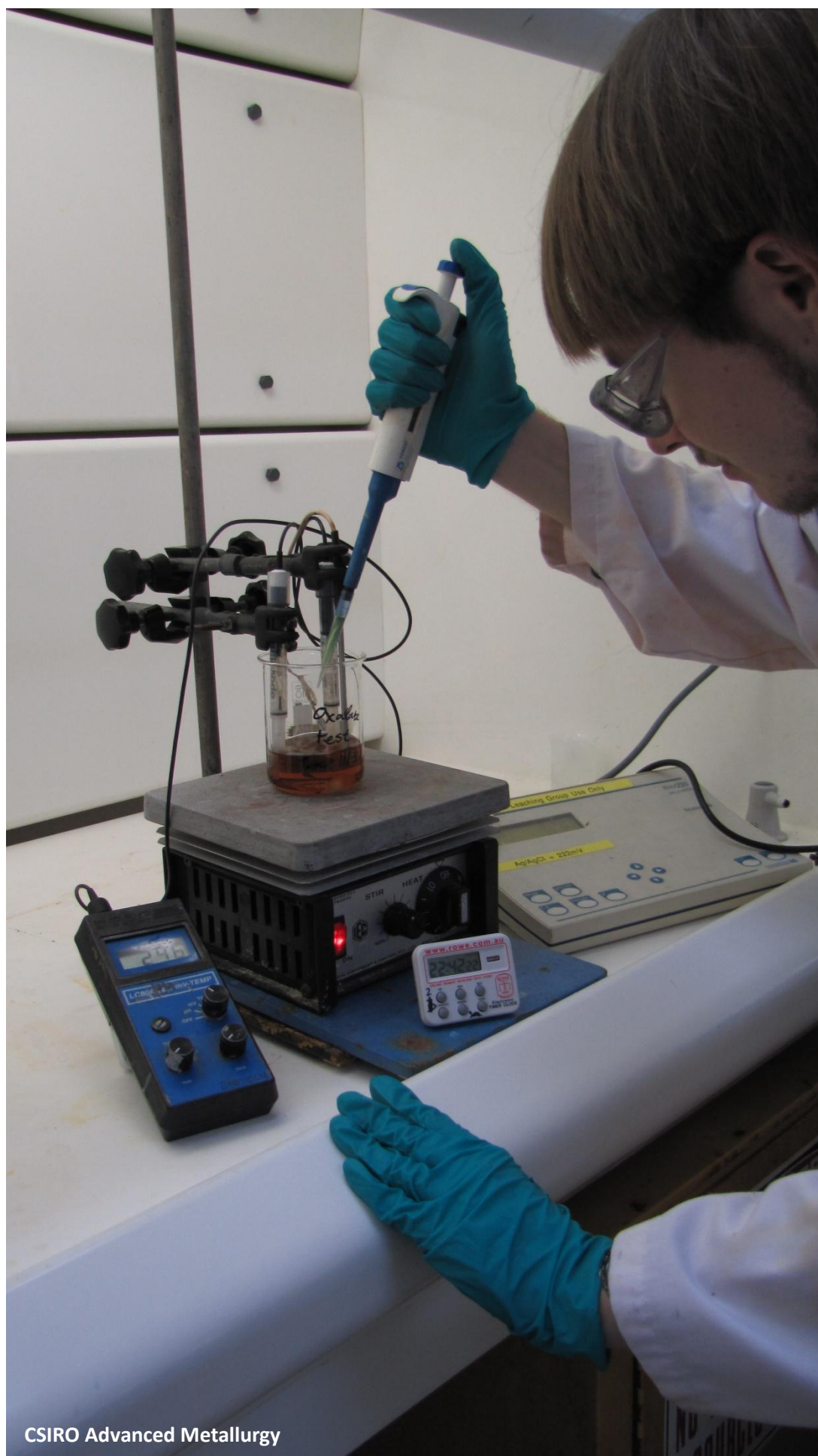
Signed in accordance with a resolution of directors, made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors.

Roderick McIlree
Managing Director



CSIRO Laboratory Testwork



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

14 March 2012

Dear Board Members

Greenland Minerals and Energy Limited

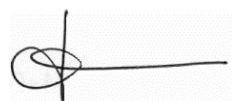
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Greenland Minerals and Energy Limited.

As lead audit partner for the audit of the financial statements of Greenland Minerals and Energy Limited for the financial year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of Greenland Minerals and Energy Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 41 to 82.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of Greenland Minerals and Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

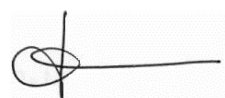
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 35 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Greenland Minerals and Energy Limited for the year ended 31 December 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants
Perth, 14 March 2012



Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated group;
- (c) the attached financial statements and notes thereto, are in compliance with International Financial Reporting Standards as stated in note 2 of the financial statements; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'R. McIlree'.

Roderick McIlree
Managing Director
Subiaco, 14 March 2012



**Consolidated statement of comprehensive income
for the year ended 31 December 2011**

	Note	Dec 2011 \$' 000	Dec 2010 \$' 000
Revenue from continuing operations	5	1,117	717
Expenditure			
Directors benefits	6	(3,771)	(1,031)
Employee benefits	6	(4,509)	(1,825)
Legal fees		(1,527)	(1,111)
Marketing & public relations		(604)	(630)
Occupancy expenses		(467)	(235)
Other expenses	6	(4,449)	(3,049)
Loss before tax		(14,210)	(7,164)
Income tax expense	7	-	-
Loss for year		(14,210)	(7,164)
Other comprehensive income			
Exchange difference arising on translation of foreign operations		(9,879)	(1,238)
Income tax relating to components of comprehensive income	7	-	-
Other comprehensive income for the year		(9,879)	(1,238)
Total comprehensive income for the year		(24,089)	(8,402)
Loss attributable to:			
Owners of the parent		(12,954)	(6,392)
Non-controlling interest		(1,256)	(772)
		(14,210)	(7,164)
Total comprehensive income attributable to:			
Owners of the parent		(18,981)	(7,164)
Non-controlling interest		(5,108)	(1,255)
		(24,089)	(8,402)
Basic loss per share – cents per share	19	3.50	2.60
Diluted loss per share – cents per share		3.50	2.60

Notes to the financial statements are included on pages 46 to 82



**Consolidated statement of financial position
as at 31 December 2011**

		Dec 2011 \$' 000	Dec 2010 \$' 000
Current Assets	Note		
Cash and cash equivalents	8	10,866	11,587
Trade and other receivables	9	238	196
Other assets	10	348	1,364
Total Current Assets		11,452	13,147
Non-Current Assets			
Investments in associates		62	-
Property, plant and equipment	11	1,734	582
Capitalised exploration and evaluation expenditure	12	46,808	42,149
Total Non-Current Assets		48,604	42,731
Total Assets		60,056	55,878
Current Liabilities			
Trade and Other Payables	13	1,584	1,476
Provisions	14	417	1,622
Total Current Liabilities		2,001	3,098
Non-Current Liabilities			
Provisions	14	63	-
Total Non-Current Liabilities		63	-
Total Liabilities		2,064	3,098
Net Assets		57,992	52,780
Equity			
Issued Capital	15	291,826	153,754
Reserves	16	2,603	117,401
Accumulated Losses	18	(230,030)	(217,076)
Equity attributable to equity holders of the parent		64,399	54,079
Non-controlling interest	20	(6,407)	(1,299)
Total Equity		57,992	52,780

Notes to the financial statements are included on pages 46 to 82



**Consolidated statement of changes in equity
for the year ended 31 December 2011**

	Issued capital \$' 000	Option reserve \$' 000	Foreign currency translation reserve \$' 000	Non - Controlling interest acquisition reserve \$'000	Accumulated losses \$' 000	Attributable to equity holders of the parent \$' 000	Non- controlling interest \$' 000	Total \$' 000
Balance at 1 January 2010	103,685	153,958	(1)	-	(210,684)	46,958	(44)	46,914
Net loss for the year	-	-	-	-	(6,392)	(6,392)	(772)	(7,164)
Other Comprehensive income	-	-	(755)	-	-	(755)	(483)	(1,238)
Total comprehensive for the year	-	-	(755)	-	(6,392)	(7,147)	(1,255)	(8,402)
Issue of shares net of transaction costs	5,302	-	-	-	-	5,302	-	5,302
Issue of shares from option exercise	44,495	(35,801)	-	-	-	8,694	-	8,694
Recognition of share based payments	272	-	-	-	-	272	-	272
Balance at 1 December 2010	153,754	118,157	(756)	-	(217,076)	54,079	(1,299)	52,780
Balance at 1 January 2011	153,754	118,157	(756)	-	(217,076)	54,079	(1,299)	52,780
Net loss for the year	-	-	-	-	(12,954)	(12,954)	(1,256)	(14,210)
Other Comprehensive income	-	-	(6,027)	-	-	(6,027)	(3,852)	(9,879)
Total comprehensive for the year	-	-	(6,027)	-	(12,954)	(18,981)	(5,108)	(24,089)
Issue of shares net of transaction costs	3,500	-	-	-	-	3,500	-	3,500
Issue of shares from option exercise net of transaction costs	134,572	(108,085)	-	-	-	26,487	-	26,487
Recognition of share based payments	-	4,925	-	-	-	4,925	-	4,925
Recognition of deposit paid to acquire minority interest	-	-	-	(5,611)	-	(5,611)	-	(5,611)
Balance at 31 December 2011	291,826	14,997	(6,783)	(5,611)	(230,030)	64,399	(6,407)	57,992

Notes to the financial statements are included on pages 46 to 82



**Consolidated statement of cash flows
for the year ended 31 December 2011**

	Note	31 Dec 2011 \$' 000	31 Dec 2010 \$' 000
Cash flows from operating activities			
Receipts from customers		403	251
Payments to suppliers and employees		(10,447)	(5,911)
Net cash used in operating activities	23	(10,044)	(5,660)
Cash flows from investing activities			
Interest received		744	335
Proceeds from advances to other parties		-	1,000
Payments for property, plant and equipment		(1,380)	(249)
Payments for exploration and development		(14,758)	(6,515)
Payment of settlement deposit		(2,111)	-
Payment for investments		-	(467)
Payment for investments in associates		(62)	-
Proceeds from sale of investments		404	560
Proceeds from government grant		-	700
Net cash used in investing activities		(17,163)	(4,636)
Cash flows from financing activities			
Proceeds from issue of shares/options		26,854	14,695
Payment for shares/options issue costs		(368)	(426)
Net cash from financing activities		26,486	14,269
Net increase/(decrease) in cash and equivalents		(721)	3,973
Cash and equivalents at the beginning of the financial year		11,587	7,614
Cash and equivalents at the end of the Financial year	8	10,866	11,587

Notes to the financial statements are included on pages 46 to 82



Notes to the accounts

1. General information

Greenland Minerals and Energy Limited is a public Company listed on the Australian Securities Exchange, incorporated in Australia and operating in Greenland with its head office in Perth.

Greenland Minerals and Energy Limited registered office and its principal place of business are as follows:

Registered office

Unit 6, 100 Railway Road Subiaco WA

Principal place of business

Unit 6, 100 Railway Road Subiaco WA

The Company's principal activities are mineral exploration and evaluation.

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the consolidated financial statements of the group.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Consolidated group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 14 March 2012.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Consolidated group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

In the current period, the Consolidated group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for reporting periods beginning on 1 January 2011.

The following new and revised Standards and Interpretations have been adopted in the current period:

- AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project



Notes to the accounts

2. Significant accounting policies (cont'd)

- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2010-5 Amendments to Australian Accounting Standards

The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Consolidated group.

The Consolidated group has not elected to early adopt any new standards or amendments.

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective:

New or revised requirement	Effective for annual reporting periods beginning on or after
<i>AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013
<i>AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	1 January 2013
<i>AASB 10 Consolidated Financial Statements</i>	1 January 2013
<i>AASB 11 Joint Arrangements</i>	1 January 2013
<i>AASB 12 Disclosure of Interests in Other Entities</i>	1 January 2013
<i>AASB 127 Separate Financial Statements</i>	1 January 2013
<i>AASB 128 Investments in Associates and Joint Ventures (2011)</i>	1 January 2013
<i>AASB 13 Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13</i>	1 January 2013
<i>AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i>	1 January 2013
<i>AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013
<i>AASB 1054 Australian Additional Disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i>	1 July 2011
<i>AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i>	1 July 2011
<i>AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012
<i>AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>	1 July 2013
<i>AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportional Consolidation – Reduced Disclosure Requirements</i>	1 July 2013
<i>AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement standards</i>	1 January 2013
<i>AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i>	1 July 2012



Notes to the accounts

2. Significant accounting policies (cont'd)

At the date of authorisation of the financial report, the following Standards and Interpretations issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB, were in issue but not yet effective:

New or revised requirement	Effective for annual reporting periods beginning on or after
<i>Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)</i>	1 January 2014
<i>Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)</i>	1 January 2013
<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)</i>	1 January 2015

The Directors note that the impact of the initial application of the Standards and Interpretations is not yet known or is not reasonably estimable. These Standards and Interpretations will be first applied in the financial report of the Consolidated Entity that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Consolidated group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Consolidated group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(b) Joint venture arrangements

Jointly controlled operations

Where the Consolidated group is a venturer and so has joint control in a jointly controlled operation, the Consolidated group recognises the assets that it controls and the liabilities and expenses that it incurs, as a party to the joint venture.



Notes to the accounts

2. Significant accounting policies (cont'd)

(c) Foreign currency

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Greenland Minerals and Energy Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Consolidated group's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Consolidated group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(e) Revenue

Revenue is measured at the fair value of the consideration when received or receivable.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income

Revenue from operating sub-leases is recognised in accordance with the Consolidated group's accounting policy.



Notes to the accounts

2. Significant accounting policies (cont'd)

(f) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of an appropriate valuation method. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions are in note 25.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated group's estimate of equity instruments that will eventually vest.

At each reporting date, the Consolidated group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures except where the Consolidated group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Consolidated group intends to settle its current tax assets and liabilities on a net basis.



Notes to the accounts

2. Significant accounting policies (cont'd)

Current and deferred tax for the period

Current and deferred tax is recognised in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) **Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

(i) **Financial assets**

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'Financial assets at fair value through profit and loss (FVTPL)', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments that the Consolidated group manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 10.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.



Notes to the accounts

2. Significant accounting policies (cont'd)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the receivable at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Consolidated group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Consolidated group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Consolidated group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Consolidated group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Consolidated group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(j) **Property, plant and equipment**

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation on plant and equipment is calculated on a diminishing value basis so as to write off the net cost or other devalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the diminishing value method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Leasehold improvements	10 – 15 years
Plant and equipment	4 – 10 years
Buildings	20 years

(k) **Leased assets**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.



Notes to the accounts

2. Significant accounting policies (cont'd)

Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(l) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits, are measured as the present value of the estimated future cash outflows to be made by the Consolidated group in respect of services provided by employees up to reporting date.

(m) Financial instruments issued by the Consolidated group

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Consolidated group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(n) Impairment of long-lived assets excluding goodwill

At each reporting date, the Consolidated group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.



Notes to the accounts

2. Significant accounting policies (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(o) Capitalisation of exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(p) Provisions

Provisions are recognised when the Consolidated group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Consolidated group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



Notes to the accounts

3: Critical accounting estimates and judgments

In preparing this Financial Report the Consolidated group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

a) Significant accounting judgments

In the process of applying the Consolidated group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of exploration and evaluation expenditure

The Consolidated group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development or alternatively sale of the Areas of Interest. If ultimately the area of interest is abandoned or is not successfully commercialised, the carrying value of the capitalised exploration and evaluation expenditure would be written down to its recoverable amount.

Deferred tax assets

The Consolidated group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable at this point in time, that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Consolidated group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal and political changes, (including obtaining the right to mine and changes to environmental restoration obligations) and changes to commodity prices.

As at 31 December 2011, the carrying value of capitalised exploration expenditure is \$46,808,574 (2010: \$42,149,145) refer to note 12.

4: Segment information

AASB8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the managing director (chief operating decision maker) in order to allocate resources to the segment and assess performance.

The Consolidated group undertakes mineral exploration and evaluation in Greenland.

Given the Consolidated group has one reporting segment, operating results and financial information are not separately disclosed in this note.



Notes to the accounts

5: Revenue

	31 Dec 2010	31 Dec 2010
	\$' 000	\$' 000
Interest - Bank deposits	755	320
Operating lease revenue - Sub lease	76	136
Other revenue	286	261
	1,117	717

6: Loss for the period before tax

	31 Dec 2011	31 Dec 2010
	\$' 000	\$' 000
Loss for the period has been arrived at after charging the following items:		
(a) Gains and losses		
Gain on disposal of investments	-	93
Loss on disposal of investments	(3)	-
Changes in fair value of held for trading assets	(237)	378
Loss on foreign currency exchange	(3)	(267)
(b) Other expenses		
Audit, accounting and taxation expenses	(449)	(196)
Consulting expenses	(377)	(337)
Depreciation expense	(228)	(127)
Insurance	(123)	(99)
Operating lease rental expenses	(76)	(136)
Stock exchange fees	(106)	(83)
Travel expenses	(1,008)	(717)
Payroll tax	(145)	(1,198)
Printing, stationery and office costs	(118)	(46)
Share registry costs	(117)	(44)
Telephone	(182)	(138)
Other expenses	(1,277)	(132)
	(4,449)	(3,049)
Directors' fees and salary expense	(1,469)	(988)
Directors' share based payments	(2,202)	-
	(3,771)	(1,031)
Employee benefits	(1,786)	(1,825)
Employee share based payments	(2,723)	-
	(4,509)	(1,825)



Notes to the accounts

7: Income tax

		31 Dec 2011 \$' 000	31 Dec 2010 \$' 000
(a)	Tax expense	-	-
	Current tax	-	-
	Deferred tax	-	-
		-	-
b)	The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax expenses in the financial statements as follows:		
	Loss for period	(14,210)	(7,164)
	Prima facie tax benefit on loss at 30%	(4,263)	(2,149)
	add:		
	Tax effect of:		
	other non-allowable items	1,481	391
	provisions and accruals	568	530
	accrued income	8	12
	revenue loss not recognised	7,396	3,704
		9,453	4,637
	Less:		
	Tax effect of:		
	Exploration, evaluation and development expenditure	(4,278)	(1,946)
	provisions and accruals	(531)	(173)
	capital expenditure write off	(291)	(247)
	Other deductions	(90)	(122)
		(5,190)	(2,488)
	Income tax expense	-	-
	The following deferred tax balances have not been recognised:		
	Deferred tax assets:		
	at 30%		
	Carry forward revenue losses	19,792	12,396
	Capital raising costs	493	345
		20,285	12,741
	Less: offset against deferred tax liability	(8,537)	(7,060)
		11,748	5,681

The tax benefits of the above deferred tax assets will only be obtained if;

- The Consolidated group derives future assessable income of a nature and amount sufficient to enable the benefits to be utilised,
- The Consolidated group continues to comply with the conditions of deductibility imposed by law, and
- No change in income tax legislation adversely affects the consolidated group's ability to utilise the benefits.



Notes to the accounts

7: Income tax (cont'd)

	31 Dec 2011 \$' 000	31 Dec 2010 \$' 000
Deferred tax liabilities:		
at 30%		
Exploration, evaluation and development expenditure	8,529	7,048
Accrued income	8	12
	8,537	7,060
less offset against deferred tax assets	(8,537)	(7,060)
	-	-

The above deferred tax liabilities have been offset against the deferred tax assets, noted above.

8: Cash and equivalents

	Dec 2011 \$' 000	Dec 2010 \$' 000
Cash at bank	388	744
Cash on deposit at call	10,040	-
Cash on deposit	438	10,843
	10,866	11,587

The Consolidated group's financial risk management objectives and policies are discussed further at note 26.

9: Trade and other receivables

	Dec 2011 \$' 000	Dec 2010 \$' 000
(a) Current		
Trade debtors (i)	6	54
Accrued interest	37	26
GST refundable	165	86
Funds held in trust (ii)	30	30
	238	196

- (i) Trade debtors and sundry debtors are non-interest bearing, unsecured and generally on 30 day terms. As at 31 December 2011 and 31 December 2010 no amounts were past due but not impaired. Additionally there was no allowance for doubtful debts at either 31 December 2011 or 31 December 2010.
- (ii) Funds held in trust consist of \$30,381 (2010: \$30,441) being held by the Consolidated group's London based lawyers as a retainer.



Notes to the accounts

10: Other assets

	Dec 2011 \$' 000	Dec 2010 \$' 000
Deposit bonds	-	159
Prepayments	291	365
Funds held in trust for un-issued shares (i)	-	146
Investments carried at fair value:		
Shares in listed companies – fair value (ii)	57	694
	348	1,364

- (i) Funds held in trust, relate to funds received for the issue of shares through the exercise of options where the shares were not issued at 31 December 2010.
- (ii) Movement in market value is based on the closing price on the Australian Securities Exchange, of the shares held on the reporting date.

11: Property, plant and equipment

	Dec 2011 \$' 000	Dec 2010 \$' 000
Plant and Equipment (cost)	1,529	877
Accumulated depreciation	(544)	(349)
Leasehold improvements (cost)	99	65
Accumulated depreciation	(19)	(11)
Buildings	694	-
Accumulated depreciation	(25)	-
	1,734	582

(a) Movements in the carrying amounts

Movement in the carrying values for each class of property, plant and equipment between the beginning and the end of the period.



Notes to the accounts

11: Property, plant and equipment (cont'd)

	Dec 2011 \$' 000	Dec 2010 \$' 000
Plant and Equipment		
Carrying value at beginning of year	528	408
Acquisitions	652	242
Depreciation expense	(195)	(122)
Carrying value at end of year	985	528
Leasehold improvements		
Carrying value at beginning of year	54	52
Acquisitions	34	7
Depreciation expense	(8)	(5)
Carrying value at end of year	80	54
Buildings		
Acquisitions	694	-
Depreciation	(25)	-
Carrying value at end of year	669	-
Total property, plant and equipment carrying value at end of period	1,734	582

12: Capitalised exploration and evaluation expenditure

	Dec 2011 \$' 000	Dec 2010 \$' 000
Balance at beginning of year	42,149	37,129
Exploration and/or evaluation phase in current period:		
Capitalised expenses (i)	14,261	6,482
	56,410	43,611
Less:		
Effects of currency translation (ii)	(9,602)	(1,462)
Balance at end of year	46,808	42,149

- (i) On the 31 July 2007, Greenland Minerals and Energy Limited acquired a 61% interest in the Kvanefjeld Project. As part of the acquisition, the Company entered into an un-incorporated joint venture with Westrip Holdings Limited (Westrip), a UK based company to carry out the exploration and evaluation of Kvanefjeld. The Company holds a 61% interest in the joint venture through Greenland Minerals and Energy (Trading) A/S, which holds the EL 2010/02, the exploration license covering the Kvanefjeld Project, with Westrip holding the balance. Under the joint venture agreement, from 17 August 2009 both joint venture parties are required to contribute to the exploration expenditure, in proportion to their respective interests in the joint venture. To date Greenland Minerals Energy Limited has continued to fully fund the exploration expenditure and the Company has not made a claim against Westrip Holdings Limited for its share of the exploration expenditure post 17 August 2009. In August 2011 the Company entered into an agreement to acquire Westrip's interest in the project, at the date of this report, settlement of this transaction was still pending.



Notes to the accounts

12: Capitalised exploration and evaluation expenditure (cont'd)

- (ii) During the period the Company received revised legal advice indicating that legal and beneficial ownership of the Kvanefjeld Project EL 2010/02 resided with Greenland Minerals and Energy (Trading) A/S, the Greenlandic subsidiary and not the Company. As a result all capitalised exploration and evaluation expenditure has been recognised in the Greenlandic subsidiary and at reporting date has been translated at the closing Australian dollar/Danish kroner exchange rate with the movement being recognised in the foreign currency translation reserve.
- (iii) During the period the Company directly acquired a 100% interest in Greenland exploration licenses EL 2011/23.
- (iv) The recoverability of the Consolidated Group's carrying value of the capitalised exploration and evaluation expenditure relating to the Kvanefjeld Project is subject to the successful development and exploitation of the exploration property. The Consolidated Group will carry out a definitive feasibility study including among other areas, environmental and social impact studies, with the intention of applying for the right to mine. Alternatively recoverability could result from the sale of the tenement at an amount at least equal to the carrying amount.
- (v) In December 2011 the Company announced changes made by the Greenland Government to include uranium in the exploration license EL 2010/02 held by the Consolidated group. This inclusion of uranium to the license is in addition to the changes introduced by the Greenland Government in September 2010 which allowed for the inclusion of radioactive elements as exploitable minerals, for the purpose of thorough evaluation and reporting. The Greenland Government currently has a zero tolerance approach to the exploration and exploitation of uranium. These developments have provided the Consolidated group with a clear pathway to move towards making an application for an exploitation license.

The Consolidated Group and the Greenland Government are currently in consultations with stakeholders, regarding the social and environmental aspects of the project. Based on this combined with the developments outlined above, the Consolidated Group has a positive outlook regarding its ability to successfully develop the project, as a multi element project including uranium. The Consolidated Group will continue to explore and evaluate the project, with the view of moving to development, subject to approval to mine rare earth elements with uranium. This will be done in a manner that is in accordance with both Greenland Government and local community expectations.

13: Trade and other payables

	Dec 2011 \$' 000	Dec 2010 \$' 000
Accrued expenses (i)	67	287
Trade creditors (ii)	1,176	969
Sundry creditors (ii)	341	74
Funds held in trust (iii)	-	146
	1,584	1,476

- (i) Accrued expenses related to services and goods provided to the Consolidated group prior to the period end, but the Consolidated group was not charged or invoiced for these goods and services by the supplier at period end. The amounts are generally payable and paid within 30 Days and are non-interest bearing.
- (ii) Trade and sundry creditors are non-interest bearing with the exception of amounts owed on corporate credit cards and after 30 days interest is charged at rates ranging between 15% and 18%. All trade and sundry creditors are generally payable on terms of 30 days.



Notes to the accounts

13: Trade and other payables (cont'd)

- (iii) Funds held in trust, relate to funds received for the issue of shares from the exercise of options where the shares had not been issued at 31 December 2010.
- (iv) The financial risk related to trade and other payables is managed by ensuring sufficient at call cash balances are maintained by the Consolidated group to enable the settlement in full of all amounts as and when they become due for payment.

14: Provisions - Current

	Dec 2011 \$' 000	Dec 2010 \$' 000
Provision for annual leave	396	201
Provision for payroll tax (i)	21	1,421
	417	1,622

- (i) \$1,355,900 provision for payroll tax recognised at 31 December 2010 related to a potential payroll tax liability on options issued to directors in 2007. This matter was settled during the current financial year.

Provisions – Non-Current

	Dec 2011 \$' 000	Dec 2010 \$' 000
Provision for long service leave	63	-

15: Issued capital

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the consolidated group does not have a limited amount of authorised capital and issued shares do not have a par value.

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

	Dec 2011		Dec 2010	
	No ' 000	\$' 000	No ' 000	\$' 000
Balance brought forward	288,672	153,754	226,826	103,685
Issue of ordinary shares through capital raisings	-	-	17,647	6,000
Issue of ordinary shares in relation to the acquisition of the non-controlling interest in the Kvanefjeld project (refer to note 16 and 32)	5,983	3,500	800	272
Issue of ordinary shares as a result of exercised options:				
\$0.10 exercise price options	-	-	750	266
\$0.20 exercise price options	115,195	130,605	42,349	44,030
\$0.50 exercise price options	5,450	3,112	300	199
\$1.00 exercise options	1,090	1,223	-	-
Less costs associated with shares issued	-	(368)	-	(698)
Balance at end of financial year	416,390	291,826	288,672	153,754



Notes to the accounts

16: Reserves

	Dec 2011	Dec 2010
	\$' 000	\$' 000
a) Option reserve		
Balance brought forward	118,157	153,958
Issue of options to directors (i)	641	-
Issue of options to senior management (i)	536	-
Issue of performance rights to directors (i)	1,526	-
Issue of performance rights to senior management (i)	526	-
Issue of performance rights to staff (i)	1,696	-
Options exercised – transferred to share capital:		
\$0.10 exercise price options	-	(191)
\$0.20 exercise price options	(107,065)	(35,561)
\$0.50 exercise price options	(887)	(49)
\$1.00 exercise price options	(133)	-
Balance at end of financial year	14,997	118,157

(i) Refer to note 25 for further information.

The option reserve arises from the grant of share options and performance rights to executives, employees and consultants. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to directors and senior management is made in note 25 to the financial statements.

	Dec 2011	Dec 2010
	\$' 000	\$' 000
b) Foreign currency translation reserve		
Balance brought forward	(756)	(1)
Current period adjustment from currency translation of foreign controlled entities	(6,027)	(755)
Balance at end of year	(6,783)	(756)

The foreign currency translation reserve records the foreign currency differences arising from the translation of the foreign subsidiary's accounts from Danish Kroner, the functional currency of Greenland Minerals and Energy (Trading) A/S, to Australian dollars.

	Dec 2011	Dec 2010
	\$' 000	\$' 000
c) Non-controlling interest acquisition reserve		
Balance brought forward	-	-
Settlement deposit - cash (i)	(2,111)	-
Settlement deposit – shares (ii)	(3,500)	-
Balance at end of year	(5,611)	-

(i) Non-refundable cash deposits paid as part of the acquisition of the outstanding 39% of Greenland Minerals and Energy (Trading) A/S not currently held by the Consolidated group, refer to note 32 for additional information.

(ii) The Consolidated group issued 5,982,345 shares with an issue price of \$0.585 during the year. The shares issued formed part of the deposit under the terms of the extension to settlement deed in relation to the acquisition of the outstanding 39% of Greenland Minerals and Energy (Trading) A/S not currently held by the Consolidated group, refer to note 32 for additional information.



Notes to the accounts

16: Reserves (cont'd)

The non-controlling interest acquisition reserve records the deposit paid to non-controlling interests in relation to the proposed acquisition of the outstanding 39% of Greenland Minerals and Energy (Trading) A/S not currently held by the Consolidated group, refer to note 32 for additional information.

	Dec 2011	Dec 2010
	\$' 000	\$' 000
d) Total reserves		
Option reserve	14,997	118,157
Foreign currency translation reserve	(6,783)	(756)
Non-controlling interest acquisition reserve	(5,611)	-
	2,603	117,401

17: Dividends

No dividends have been proposed or paid during the period or comparative period.

18: Accumulated losses

	Dec 2011	Dec 2010
	\$' 000	\$' 000
Balance at beginning of financial year	(217,076)	(210,684)
Loss attributable to members of parent entity	(12,954)	(6,392)
Related income tax	-	-
Balance at end of financial year	(230,030)	(217,076)

19: Loss per share

	Dec 2011	Dec 2010
	Cents Per share	Cents Per share
Basic loss per share		
From continuing operations	3.50	2.60
Diluted loss per share		
From continuing operations	3.50	2.60

Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of the basic and diluted loss per share are as follows;

	Dec 2011	Dec 2010
Loss for period (\$)	12,953,792	6,391,904
Weighted average number of shares used in the calculation of basic and diluted loss per share (Number)	367,323,888	244,602,938

- (i) There were 24,200,000 potential ordinary shares on issue at 31 December 2011 (31 December 2010: 136,422,341) that are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.



Notes to the accounts

20: Non-controlling interest

	Greenland Minerals and Energy (trading) A/S	
	Dec 2011	Dec 2010
Balance brought forward	(1,299)	(44)
Loss attributable to non-controlling interest for the period	(1,256)	(772)
Currency translation movement attributable to non-controlling interest	(3,852)	(483)
Non-controlling interest at the end of financial year	(6,407)	(1,299)

21: Commitments for expenditure

Exploration commitments: EL 2010/02 is located in Greenland. The tenement expenditure incurred during the year ended 31 December 2011 was in excess of the minimum expenditure required to maintain the tenement in good standing. The excess expenditure can be carried forward for 5 years. The amount carried forward will be more than sufficient to meet the minimum expenditure requirements over this period.

The Consolidated group expects to have sufficient credits in relation to EL 2011/23 to meet minimum expenditure requirements for the next 2 years and an amount has been recognised in commitments to ensure the tenement remains in good standing.

	Dec 2011 \$'000	Dec 2010 \$'000
Tenement commitments		
Not longer than 1 year	-	-
Longer than 1 year but not longer than 5 years	900	500
Longer than 5 years	-	-
	900	500
Operating leases (i)		
Not longer than 1 year	210	210
Longer than 1 year but not longer than 5 years	210	420
Longer than 5 years	-	-
	410	630
Other contractual obligations (ii)		
Not longer than 1 year	240	240
Longer than 1 year but not longer than 5 years	400	640
Longer than 5 years	-	-
	640	880

- (i) The only commitments for operating leases are lease rentals on the Consolidated group's Perth head office premises. The current lease expires on the 14 February 2014, and is non-cancelable, with a 3 year renewal option. No liabilities have been recognised in relation to operating leases at 31 December 2011 or 31 December 2010.
- (ii) Relates to ongoing contractual obligations with Gravner Limited for corporate advisory services.



Notes to the accounts

22: Contingent liabilities

	Dec 2011	Dec 2010
	\$' 000	\$' 000
Legal related costs (i)	-	1,200
	-	1,200

- (i) Costs associated with defending writs served on the Company by Westrip Holdings Limited ('Westrip') and Rimbal Pty Ltd ('Rimbal'). The contingent liability was based on an estimate by directors after obtaining legal opinions.
- (ii) There are no contingent liabilities recorded for the financial year ended 31 December 2011.

23: Notes to the statement of cash flows

Reconciliation of loss for the period to net cash flows from operating activities.

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
	\$' 000	\$' 000
Loss for the year	(14,210)	(7,164)
(Gain) loss on sale or disposal of non-current assets	(4)	(93)
(Gain) loss on revaluation of fair value through profit and loss of financial assets	237	(378)
Depreciation	228	127
Equity-settled share-based payments	4,925	-
Interest income received and receivable	(755)	(320)
(Increase)/decrease in assets		
Trade and other receivables	117	53
Increase (decrease) in liabilities		
trade and other payables	560	572
in provisions	(1,142)	1,543
Net cash used in operating activities	(10,044)	(5,660)

The Consolidated group has not entered into any other non-cash financing or investing activities.

24: Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		Dec 2011 %	Dec 2010 %
Chahood Capital Limited	Isle of Man	100	100
Greenland Minerals and Energy (Trading) A/S	Greenland	61	61



Notes to the accounts

25: Share based payments

The following share-based payment arrangements, were entered into during the year ended 31 December 2010:

Date	Number	Issue Price	Value
20/12/2010	800,000	\$0.34	\$272,000
17/12/2010	388,000	\$0.25	\$97,000

The Consolidated group issued 800,000 shares with an issue price of \$0.34 during the prior year as a share-based payment. During the prior year, the Consolidated group issued 388,000 with an issue price of \$0.25, as a share based payment. These shares were issued in lieu of capital raising fees brought to account against the relevant issued capital.

Employee performance rights plan

At the Company's Annual General Meeting, on 12th May 2011, members approved the implementation of an Employee Performance Rights Plan ("EPRP"). The plan is a result of a comprehensive remuneration review the Company conducted, in consultation with independent consultants. The aim of the plan is to assist in the retention of existing staff and the recruitment of future employees.

Under the EPRP, the Company will issue incentive shares to employees as part of their total remuneration package. The plan will result in a direct cost saving to the Company through a reduction in the salary component payable in remuneration packages.

Upon satisfying clearly pre-determined vesting conditions, each right issued under the EPRP will be convertible into one fully paid ordinary share of the Company. To meet the vesting criteria, the employee must remain an employee of the Company for a minimum of two years and will be converted in three tranches based on the Company's Volume Weighted Average Share Price ("VWAP") exceeding price hurdles for 10 consecutive trading days.

- Tranche 1 - Will vest upon both the volume weighted average price of Shares being \$1.50 or more for 10 consecutive Trading Days and 2 years continuous service for the Company from 1 April 2011 save that this continuous service vesting hurdle will be deemed to be satisfied in the event of a successful takeover bid where the bidder has acceptances for greater than 50% of the Shares in the Company.
- Tranche 2 - Will vest upon both the volume weighted average price of Shares being \$1.85 or more for 10 consecutive Trading Days and 2 years continuous service for the Company from 1 April 2011 save that this continuous service vesting hurdle will be deemed to be satisfied in the event of a successful takeover bid where the bidder has acceptances for greater than 50% of the Shares in the Company.
- Tranche 3 - Will vest upon both the volume weighted average price of Shares being \$2.50 or more for 10 consecutive Trading Days and 2 years continuous service for the Company from 1 April 2011 save that this continuous service vesting hurdle will be deemed to be satisfied in the event of a successful takeover bid where the bidder has acceptances for greater than 50% of the Shares in the Company.

No amounts are paid or payable by the recipient on receipt of the performance right. The performance rights carry neither rights to dividends nor voting rights and are non-transferrable.



Notes to the accounts

25: Share based payments (cont'd)

The Company has issued 16,450,000 performance rights during the year ended 31 December 2011. The value of the performance rights issued will be recognised as an expense over the expected 2 year service vesting period. The fair value has been established using a binomial model based on the following variables:

Grant date	12/05/2011
Underlying share price at grant date	\$0.97
Maximum life	3 Years
Expected future volatility	100%
Risk free rate	5.03%
Tranche1 share price hurdle	\$1.50
Tranche2 share price hurdle	\$1.85
Tranche3 share price hurdle	\$2.50

Performance rights granted under the EPRP

Tranche	Number	Grant date fair value \$	Pro-rata vesting period value recognised @ 31 Dec 2011
1	5,000,000	3,315,000	1,243,125
2	5,325,000	3,264,438	1,224,164
3	6,125,000	3,416,280	1,281,105
	16,450,000	9,995,718	3,748,394

10,850,000 performance rights were issued to directors and senior management, the 5,600,000 balance was issued to other employees.

Performance options

At the Company's Annual General Meeting, in addition to approving the EPRP, members approved the issue of unvested performance options to certain directors and senior management. The options have an exercise price of \$1.75 and are subject to pre-determined vesting conditions. To meet the vesting criteria, a two year service period from the grant date must be satisfied and will vest in three tranches based on the Company's Volume Weighted Average Share Price ("VWAP") exceeding price hurdles for 10 consecutive trading days.

Tranche 1 – Will vest upon both the volume weighted average price of shares being \$3.75 or more for 10 consecutive Trading Days and 2 years continuous service for the Company from 1 April 2011 save that this continuous service vesting hurdle will be deemed to be satisfied in the event of a successful takeover bid where the bidder has acceptances for greater than 50% of the Shares in the Company.

Tranche 2 – will vest upon both the volume weighted average price of shares being \$5.00 or more for 10 consecutive Trading Days and 2 years continuous service for the Company from 1 April 2011 save that this continuous service vesting hurdle will be deemed to be satisfied in the event of a successful takeover bid where the bidder has acceptances for greater than 50% of the Shares in the Company.

Tranche 3 – will vest upon both the volume weighted average price of shares being \$6.25 or more for 10 consecutive Trading Days and 2 years continuous service for the Company from 1 April 2011 save that this continuous service vesting hurdle will be deemed to be satisfied in the event of a successful takeover bid where the bidder has acceptances for greater than 50% of the Shares in the Company.

No amounts are paid or payable by the recipient on receipt of the options. The options are unvested and unlisted, carry neither rights to dividends nor voting rights and are non-transferrable.



Notes to the accounts

25: Share based payments (cont'd)

On satisfying the vesting conditions, the options can be exercised by the payment of \$1.75 per option exercise price and on exercising each option will be converted to one fully paid ordinary share in Greenland Minerals and Energy Limited.

As approved by shareholders, the following performance options were issued during the year ended 31 Dec 2011:

Director/employee	Tranche 1	Tranche 2	Tranche 3	Total
R McIlree	900,000	950,000	950,000	2,800,000
J Mair	700,000	700,000	700,000	2,100,000
S Bunn	700,000	700,000	700,000	2,100,000
	2,300,000	2,350,000	2,350,000	7,000,000

The value of the performance options issued will be recognised as an expense over the expected 2 year service vesting period. The fair value has been established using a binomial model based on the following variables:

Grant date	12/05/2011
Underlying share price at grant date	\$0.97
Exercise price	\$1.75
Expiry date	31/08/2013
Expected future volatility	100%
Risk free rate	4.91%
Tranche1 share price hurdle	\$3.75
Tranche2 share price hurdle	\$5.00
Tranche3 share price hurdle	\$6.25

Performance options granted

Tranche	Number	Grant date fair value \$	Pro-rata vesting period value recognised @ 31 Dec 2011
1	2,300,000	942,816	353,556
2	2,350,000	832,887	312,332
3	2,350,000	665,896	249,711
	7,000,000	9,995,718	915,599

Employee options

During the current financial year, the employment contract with Shaun Bunn was re-negotiated with Mr Bunn moving from a service contract arrangement to an employment contract. Due to the completion of various project related milestones, whilst engaged under the service contract, Mr Bunn was granted 750,000 options with an exercise price of \$0.25. There were no vesting conditions attached to these options and each option on exercise converts to one fully paid ordinary share of Greenland Minerals and Energy Limited.

Details of \$0.25 employee options issued during the current financial year:

senior management	Grant date	Number	Fair value@ grant date \$	Expiry date
S Bunn	21/10/2011	750,000	261,587	31/03/2013

- (i) Fair value at grant date has been calculated using a Black Scholes model as there are no further vesting conditions attached to the options the full fair value has been recognised in remuneration in the current financial year.



Notes to the accounts

25: Share based payments (cont'd)

Grant date	21/10/2011
Underlying share price at grant date	\$0.54
Exercise price	\$0.25
Expiry Date	31/03/2013
Expected future volatility	94%
Risk free rate	3.95%

The weighted average fair value of performance rights granted during the financial year is \$0.61 (2010: nil).

The weighted average fair value of options granted during the financial year is \$0.35 (2010: nil).

Employee share option plan

Greenland Minerals and Energy Limited operates an ownership-based scheme for senior management and employees of the Consolidated group. In accordance with the provisions of the plan, as approved by shareholders at the general meeting on the 25 June 2009, eligible employees can be offered participation in the plan, at the discretion of the Board. The Board's discretion will be based on the consideration of, among other things, the seniority of the person, the length of service of the eligible employee with the Consolidated group and the potential contribution of the eligible employee to the growth of the Consolidated group.

On exercise, each employee share option converts into one ordinary share of Greenland Minerals and Energy Limited. All options issued under this plan were exercised and converted into shares on or before 30 June 2011 or expired if not exercised by this date.

The following options issued to directors and senior management, were exercised during the financial year ended 31 December 2011:

	Date	Number exercised (i)	Exercise price	Share price @ exercise date	Amount Paid \$	Amount unpaid \$
R McIlfree	16/06/2011	4,400,000	\$0.20	\$0.51	880,000	-
S Cato	29/04/2011	1,550,100	\$0.20	\$0.81	310,200	-
	07/06/2011	1,992,000	\$0.20	\$0.59	398,400	-
	23/06/2011	250,000	\$0.20	\$0.69	50,000	-
J Whybrow	28/06/2011	4,400,000	\$0.20	\$0.68	880,000	-
J Mair	30/06/2011	250,000	\$0.50	\$0.71	125,000	-
S Bunn	02/02/2011	250,000	\$0.50	\$1.17	125,000	-

- (ii) The number of options exercised relates only to options exercised that were granted as compensation and recognised in remuneration in prior years.

The following options issued to directors and management, were exercised during the financial year ended 31 December 2010:

	Date	Number Exercised	Exercise Price	Share price @ exercise date	Amount Paid \$	Amount unpaid \$
M Mason	28/01/2010	400,000	\$0.20	\$0.70	80,000	-
S Bunn	25/11/2010	750,000	\$0.10	\$0.95	75,000	-



Notes to the accounts

25: Share based payments (cont'd)

The following are the terms of the Performance Rights:

1. The Performance Rights are non-transferable.
2. The rights under Performance Rights are personal and a Performance Right does not confer any entitlement to attend or vote at meetings of the Company, to dividends, participation in new issues of securities or entitlement to participate in any return of capital.
3. The Performance Rights vest upon the satisfaction of any performance hurdles specified at the time of issue.
4. The Performance Rights lapse upon the Eligible Employee ceasing to be employed or on the death, incapacity or disability of the Eligible Employee or on the failure to satisfy any performance hurdles within a required time of the issue of the Performance Rights.
5. Upon vesting, one (1) Share will be issued for every one (1) Performance Right. The Shares will rank equally in all respects with the existing Shares.
6. If the Company makes a bonus issue of Shares, then the holder of the Performance Right upon vesting will be entitled to have issued to it the increased number of Shares that it would have received if the Performance Right had vested and the holder acquired Shares in respect of the Performance Right before the record date for the bonus issue.
7. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the vesting date, the number of Performance Rights will be reconstructed in a manner consistent with the ASX Listing Rules.

The following are the terms of the Performance Options:

1. Each Option entitles the holder to one Share.
2. The Options are exercisable at any time prior to 5.00 pm Western Standard Time on 31 August 2013 ("**Expiry Date**").
3. The exercise price of the Options is \$1.75 per Option.
4. Upon vesting, the Options are freely transferable.
5. The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("**Notice of Exercise**"). Subject to vesting, the Options may be exercised wholly or in part by completing the Notice of Exercise and delivering it together with payment to the secretary of the Company to be received any time prior to the Expiry Date. The Company will process all relevant documents received at the end of every calendar month.
6. Upon the exercise of an Option and receipt of all relevant documents and payment, the holder in accordance with paragraph 5 will be allotted and issued a Share ranking pari passu with the then issued Shares.
7. There will be no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give Optionholders the opportunity (where Options have vested) to exercise their Options prior to the date for determining entitlements to participate in any such issue.
8. If there is a bonus issue ("**Bonus Issue**") to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
9. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Optionholder are to be changed in a manner consistent with the Listing Rules.
10. In the event that the Company makes a pro rata issue of securities, the exercise price of the Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2.



Notes to the accounts

25: Share based payments (cont'd)

The following are the terms of the Employee Options:

1. Each Option entitles the holder to one Share.
2. The Options are exercisable at any time prior to 5.00 pm Western Standard Time on 31 March 2013 ("**Expiry Date**").
3. The exercise price of the Options is \$0.25 per Option.
4. The Options are freely transferable.
5. The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("**Notice of Exercise**"). The Options may be exercised wholly or in part by completing the Notice of Exercise and delivering it together with payment to the secretary of the Company to be received any time prior to the Expiry Date. The Company will process all relevant documents received at the end of every calendar month.
6. Upon the exercise of an Option and receipt of all relevant documents and payment, the holder in accordance with paragraph 5 will be allotted and issued a Share ranking pari passu with the then issued Shares.
7. There will be no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
8. If there is a bonus issue ("**Bonus Issue**") to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
9. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Optionholder are to be changed in a manner consistent with the Listing Rules.
10. In the event that the Company makes a pro rata issue of securities, the exercise price of the Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2.

The following reconciles the outstanding share options granted at the beginning and end of the financial period.

	Dec 2011		Dec 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial period	136,442,341	0.27	179,841,887	0.25
Granted during financial period	7,750,000	1.60	-	-
Forfeited during the financial period	-	-	-	-
Exercised during the financial period	(121,735,419)	(0.22)	(43,399,546)	(0.20)
Expired during the financial period	(14,706,922)	(0.69)	-	-
Exercisable at the end of the financial period	7,750,000	1.60	136,442,341	0.27

The average share price during the current period was \$0.83 (2010: \$0.92).



Notes to the accounts

25: Share based payments (cont'd)

The share options outstanding at the end of the financial period had a weighted average exercise price of \$1.60 (December 2010: \$0.27), and a weighted average remaining contractual life of 594 days (December 2010: 181 days).

26: Financial instruments

(a) Capital risk management

The Consolidated group manages its capital in order to maintain sufficient funds are available for the Consolidated group to meet its obligations and that the Group can fund its exploration and evaluation activities as a going concern.

The Consolidated group's overall strategy remains unchanged from December 2010.

The capital structure of the consolidated group consists of fully paid shares and options as disclosed in notes 15 and 16 respectively.

None of the Consolidated group's entities are subject to externally imposed capital requirements.

(b) Categories of financial instruments

	Dec 2011	Dec 2010
	\$' 000	\$' 000
Financial assets		
Cash and equivalents	10,866	11,587
Loans and receivables - current	238	196
Fair value through profit and loss – held for trading	57	694
Financial liabilities		
Amortised cost	1,584	1,476

(c) Financial risk management objectives

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at low risk to the Consolidated group. For the period under review, it is the Consolidated group's policy not to trade in financial instruments

The main risks arising from the Consolidated group's financial instruments are interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(i) Interest Rate Risk

The Consolidated group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Consolidated group does not have short or long term debt, and therefore this risk is minimal.

There was no change in managing interest rate risk or the method of measuring risk from the prior year.

(ii) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.



Notes to the accounts

26: Financial instruments (cont'd)

The Consolidated group has no significant credit risk exposure to any single counterparty or any consolidated group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit – ratings assigned by international rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Consolidated group's maximum exposure to credit risk.

There was no change in managing credit risk or the method of measuring risk from the prior year.

(iii) Liquidity Risk

Liquidity risk refers to maintaining sufficient cash and equivalents to meet on going commitments, as and when they occur. The primary source of liquid funds for the Consolidated group, are funds the Consolidated group holds on deposit with varying maturity dates.

The Consolidated group monitors its cash flow forecast and actual cash flow to ensure that present and future commitments are provided for. As well as matching the maturity date of funds invested with the timing of future commitments.

There was no change in managing credit risk or the method of measuring risk from the prior year.

(iv) Foreign Currency Risk

The Consolidated group's risk from movements in foreign currency exchange rates, relates to funds transferred by the Company to the Greenland subsidiary and the funds are held in Danish Krone (DKK). This risk exposure is minimised by only holding sufficient funds in DKK, to meet the immediate cash requirements of the subsidiary. Once funds are converted to DKK they are only used to pay expenses in DKK.

(d) Liquidity risk

The following table details the Consolidated group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company/Consolidated group anticipates that the cash flow will occur in a different period.

	Weighted Average Effective interest rate	< 6 Months	6 – 12 Months	1 - 5 Years	> 5 Years	Total
	%	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Dec 2011						
Cash and equivalents	5.51	10,448	418			10,866
Trade and receivables - current	-	238	-	-	-	238
		10,868	418			11,104
Dec 2010						-
Cash and equivalents	3.1	7,187	4,400			11,587
Trade and receivables - current	-	196	-	-	-	196
		7,383	4,400			11,783



Notes to the accounts

26: Financial instruments (cont'd)

The following table details the Consolidated group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average Effective interest rate %	< 6 Months \$' 000	6 – 12 Months \$' 000	1 – 5 Years \$' 000	> 5 Years \$' 000	Total \$' 000
Dec 2011						
Trade and other payables	-	1,584	-	-	-	1,584
		1,584	-	-	-	1,584
Dec 2010						
Trade and other payables	-	1,476	-	-	-	1,476
		1,476	-	-	-	1,476

(e) Interest rate risk

The Consolidated group is exposed to interest rate risk because it places funds on deposit at variable rates. The risk is managed by the Consolidated group by monitoring interest rates.

The Consolidated group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity post tax which could result from a change in these risks. In the analysis a 1% or 100 basis points movement has been applied on the assumption that interest rates are unlikely to move up more than that and less likely to fall. This is taking into account the current interest rate levels and general state of the economy.

There has been no change in managing credit risk or the method of measuring risk from the prior year.

Interest Rate Sensitivity Analysis

At 31 December 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Dec 2011 \$' 000	Dec 2010 \$' 000
Change in profit		
Increase in interest rate by 1% (100 basis points)	81	95

A 1% or 100 basis points variable has been applied to the interest rate sensitivity analysis, after giving consideration to the current interest rate levels and general state economy.

Fair value of financial instruments

The carrying value of all financial instruments is the approximate fair value of the instruments. This is based on the fact that all financial instruments have either a short term date of maturity or are loans to subsidiaries.

The only financial assets or liabilities carried at fair value are the investments held in listed entities as disclosed in note 10. The fair value of these assets is based on quoted market prices at the reporting date (being level 1 of the fair value hierarchy).



Notes to the accounts

27: Key management personnel compensation

The aggregate compensation made to key management personnel of the Consolidated group is set out below:

	Year ended 31 Dec 2011 \$	Year ended 31 Dec 2010 \$
Short-term employee benefits	1,927,013	1,349,795
Post-employment benefits	141,296	69,255
Other long-term benefits – provision for long service leave	63,294	-
Termination benefits	-	-
Share-based payment	3,214,691	-
	5,346,294	1,419,050

Refer to the remuneration report included in pages 25 to 35 of the Directors report for more detailed remuneration disclosures.

28: Transactions with related parties

Simon Cato is a Non-executive Director and Chairman of Advanced Share Registry Limited. Advanced Share Registry Limited provides share registry services to Greenland Minerals and Energy Limited. These services are supplied on normal commercial terms and Mr Cato does not receive any remuneration from Advanced Share Registry Limited based on the supply of share registry services to the Consolidated group. For the year ended 31 December 2011 \$117,290 was paid to Advance Share Registry Limited for services provided (Dec 2010: \$38,516).

Shaun Bunn and Associates Pty Ltd is a company of which Mr Shaun Bunn is a director, was paid consultancy fees of \$82,500 during the current year (2010:\$337,500) during the current year. This amount has been disclosed in the details of remuneration paid to Mr Bunn.

Pro Count Pty Ltd is a company of which Mr Miles Guy is a director, was paid or entitled to be paid fees for the provision of services by Mr Guy as Chief Financial Officer (CFO) and other fees totalling \$54,844 during reporting period (December 2010: \$127,250). Of this amount \$32,094 relates to services provided to the Consolidated group by Mr Guy as CFO.



Notes to the accounts

29: Key management personnel equity holdings

Fully paid ordinary shares of Greenland Minerals and Energy Limited

	Balance at beginning of year	Granted as compensation	Received on exercise of options	Net other change (ii)	Balance at end of year	Balance held nominally
	No.	No.	No. (i)	No.	No.	No.
Dec 2011						
M Hutchinson	-	-	-	-	-	-
R McIlree	3,361,095	-	6,373,018	1,677,343	11,411,456	-
S Cato	920,100	-	3,792,100	-	4,712,200	-
J Mair	260,000	-	5,250,000	(400,000)	5,110,000	-
A Ho	250,000	-	-	-	250,000	-
J Whybrow	900,100	-	5,110,100	-	6,010,200	-
S Bunn	350,000	-	350,000	-	600,000	-
M Guy	200,000	-	100,000	-	300,000	-
Dec 2010						
M Hutchinson	-	-	-	-	-	-
R McIlree	3,361,095	-	-	-	3,361,095	-
S Cato	920,100	-	-	-	920,100	-
J Mair	260,000	-	-	-	260,000	-
A Ho	250,000	-	-	-	250,000	-
J Whybrow	900,100	-	-	-	900,100	-
M Mason (iii)	610,000	-	400,000	(60,000)	950,000	-
H Schønwardt (iv)	1,500,000	-	-	-	1,500,000	-
S Bunn	-	-	750,000	(400,000)	350,000	-
M Guy	200,000	-	-	-	200,000	-

(i) The number of shares received on exercise of options relates to options exercised that were granted as compensation and recognised in remuneration in prior years as well as listed options acquired by way of placement or options purchased either on market through the ASX, or through third party off market transactions.

(ii) Net other change relates to shares purchased or sold either on market through the ASX, or through third party off market transactions.

(iii) M Mason resigned 28 September 2010 the balance at the end of the period for Mr Mason is the balance of shares held at the date of resignation.

(iv) H Schønwardt resigned 9 March 2010 the balance at the end of the period for Mr Schønwardt is the balance of shares held at the date of resignation.



Notes to the accounts

29: Key management personnel equity holdings (cont'd)

Share options of Greenland Minerals and Energy Limited

	Balance at beginning of year No.	Granted as compensation No.	Exercised No. (i)	Expired No.	Net other change (ii) No.	Balance at end of year No.	Balance vested at end of year No.	Vested and exercisable No.	Options vested during year No.
Dec 2011									
M Hutchinson	-	-	-	-	-	-	-	-	-
R McIlree	9,372,000	2,800,000	(6,373,081)	(2,200,000)	(7,98,982)	2,800,000	-	-	4,400,000
S Cato	7,400,100	-	(3,792,100)	(2,200,000)	-	-	-	-	4,400,000
J Mair	5,600,000	2,100,000	(5,250,000)	(250,000)	(100,000)	2,100,000	-	-	-
A Ho	1,000,000	-	-	(1,000,000)	-	-	-	-	-
J Whybrow	7,310,100	-	(5,110,000)	(2,200,000)	-	-	-	-	4,400,000
S Bunn	500,000	2,850,000	(500,000)	-	-	2,850,000	750,000	750,000	-
M Guy	100,000	-	(100,000)	-	-	-	-	-	-
Dec 2010									
M Hutchinson	4,000,000	-	-	-	-	4,000,000	-	-	-
R McIlree	9,172,000	-	-	-	200,000	9,372,000	2,522,000	2,522,000	-
S Cato	7,400,100	-	-	-	-	7,400,100	800,100	800,100	-
J Mair	5,600,000	-	-	-	-	5,600,000	5,600,000	5,600,000	-
A Ho	1,000,000	-	-	-	-	1,000,000	1,000,000	1,000,000	-
J Whybrow	7,310,100	-	-	-	-	7,310,100	710,100	710,100	-
M Mason (iii)	3,680,000	-	(400,000)	-	100,000	3,380,000	3,380,000	3,380,000	-
H Schønwardt (iv)	1,000,000	-	-	-	-	1,000,000	1,000,000	1,000,000	-
S Bunn	1,250,000	-	(750,000)	-	-	500,000	500,000	500,000	-
M Guy	100,000	-	-	-	-	100,000	100,000	100,000	-

(i) The number of options exercised relates to options exercised that were granted as compensation and recognised in remuneration in prior years as well as listed options acquired by way of placement or options purchased either on market through the ASX, or through third party off market transactions

(ii) Net other change relates to options purchased or sold either on market through the ASX, or through third party off market transactions.

(iii) M Mason resigned 28 September 2010 the balance at the end of the period for Mr Mason is the balance of options held at the date of resignation.

(iv) H Schønwardt resigned 9 March 2010 the balance at the end of the period for Mr Schønwardt is the balance of options held at the date of resignation.

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

Further details of the share option plan and of options granted during the current and prior period are contained in note 25.



Notes to the accounts

29: Key management personnel equity holdings (cont'd)

Performance rights of Greenland Minerals and Energy Limited

	Balance at beginning of year No.	Granted as compensation No.	Converted No.	Expired No.	Net other change (i) No.	Balance at end of year No.	Balance vested at end of year No.	Vested and convertible No.	Rights vested during year No.
Dec 2011									
M Hutchinson	-	1,400,000	-	-	-	1,400,000	-	-	-
R McIlree	-	2,700,000	-	-	-	2,700,000	-	-	-
S Cato	-	600,000	-	-	-	600,000	-	-	-
J Mair	-	2,100,000	-	-	-	2,100,000	-	-	-
A Ho	-	600,000	-	-	-	600,000	-	-	-
J Whybrow	-	1,000,000	-	-	-	1,000,000	-	-	-
S Bunn	-	2,100,000	-	-	-	2,100,000	-	-	-
M Guy	-	350,000	-	-	-	350,000	-	-	-

There were no performance rights granted at the end of the financial year ended 31 Dec 2010.

All performance rights issued to key management personnel were made in accordance with the provisions of the employee performance rights plan. Further details of the employee performance rights plan and of options granted during the current and prior period are contained in note 25.



Notes to the accounts

30: Parent Company information

	Parent	
	Dec 2011	Dec 2010
	\$' 000	\$' 000
Financial position		
Total Current Assets	11,424	13,028
Total Non-Current Assets	64,903	46,094
Total Assets	76,327	59,122
Total Current Liabilities	1,643	2,523
Total non-current liabilities	63	
Total Liabilities	1,706	2,523
Net Assets	74,621	56,599
Equity		
Issued Capital	291,827	153,754
Reserves	9,385	118,157
Accumulated Losses	(226,591)	(215,313)
Total Equity	74,621	56,598
Financial Performance		
Loss for the year	(11,278)	(4,836)
Total comprehensive income	(11,278)	(4,836)

Contingent liabilities

	Dec 2011	Dec 2010
	\$' 000	\$' 000
Legal related costs (i)	-	1,200
	-	1,200

- (i) Costs associated with defending writs served on the Company by Westrip Holdings Limited ('Westrip') and Rimbal Pty Ltd ('Rimbal'). The contingent liability was based on an estimate by directors after obtaining legal opinions.
- (ii) There are no contingent liabilities as at 31 December 2011.

Guarantees

In addition Greenland Minerals and Energy Limited has guaranteed the provision of funding and support to the Company's 61% held subsidiary, Greenland Minerals and Energy Limited. This funding forms part of the Consolidated group's approved budgeted expenditure.

During the current financial year, Greenland Minerals and Energy limited provided a guarantee to the Greenland Government on the behalf of Arctic Energy Limited ("Arctic"). The guarantee relates to the rectification of any potential environmental damage by Arctic in relation to an on-shore oil exploration license held by Arctic. Under the guarantee Arctic is prevented from carrying out any activity on the license without the expressed approval of Greenland Minerals and Energy limited. No such approval has been granted to date.

In consideration for providing the guarantee the guarantee and the payment of \$50,000, the Company has acquired a 47% interest in Arctic with an option to increase the holding to 51%.



Notes to the accounts

31: Remuneration of auditors

Auditor of the parent entity	Dec 2011 \$	Dec 2010 \$
Audit or review of the financial report	118,191	120,374
Non-audit services - taxation	137,485	22,220
Non-audit services – other	-	-
	266,676	142,594

Related practice of the parent entity auditor	Dec 2011 \$	Dec 2010 \$
Audit or review of the financial report	56,282	66,822
Non-audit services – taxation	8,907	13,916
Non-audit services – other	10,608	66,355
	75,797	147,093

The auditor of Greenland Minerals and Energy Limited is Deloitte Touche Tohmatsu.

32: Significant conditional transactions

The Consolidated group entered into two significant transactions during the financial year that were subject to conditions precedent for settlement to occur. These conditions were not satisfied at 31 December 2011. The transactions remain subject to these conditions at the date of this report. These transactions were:

Finalisation of Terms to move to 100% Ownership of the Kvanefjeld Project

In August 2011, the Company entered agreements with Westrip Holdings Ltd, Rimbal Pty Ltd and others to acquire the outstanding 39% of the Kvanefjeld project exploration license (EL 2010/02).

In summary the agreement provides for:

1. GMEL to acquire the outstanding 39% of Greenland Minerals and Energy (Trading) A/S it does not own and thereby move to 100% ownership along with the termination of the joint venture agreement for the consideration outlined in point 2 below.
2. Pursuant to the agreement GMEL will pay the sum of \$39,000,000 (AUD) in cash, 7,825,000 shares, and 5,000,000 options (exercise price \$1.50) in a predetermined proportion to all shareholders of Westrip Holdings Ltd, the joint venture vehicle.
3. GMEL has also entered into an off-take agreement for the lujavrite rock type from license 2010/24 located immediately to the south of the northern Ilimaussaq license. Lujavrite is the rock-type that is host to REE-U-Zn mineralisation at Kvanefjeld.
4. Dismissal of all legal proceedings with no orders as to costs.
5. Dismissal of the UK Proceedings and agreement by the Company and the minority shareholders of Westrip Holdings Ltd to lift the injunction granted by the High court of England and Wales over the minority interest of the joint venture also with no order as to costs.



Notes to the accounts

32: Significant conditional transactions (cont'd)

The agreements are subject to the Company's through applying best efforts, being able to fund the settlement.

Under the terms of the original agreements in August 2011, the Company had until mid-January 2012 to complete the transaction. This has now been extended due to volatility in the financial markets, until June 15th 2012. An agreement to alter the terms of the settlement deposit formed part of the agreement to extend the settlement date.

Under the terms of the initial agreements the Company paid a \$5.6million in deposits, of which \$5million was to be held in trust pending settlement, with the balance being a non-refundable deposit paid direct to the counterparties. Under the agreement to extend the settlement date, it was agreed that the \$5 million deposit be refunded to the Company with GMEL in turn paying a \$1.5 million non-refundable deposit direct to the counterparties. Consequently, as at 31 December non-refundable deposits totaling \$2.1 million have been paid to counterparties.

In addition GMEL issued shares to the value of \$3.5million as the balance of the deposit (refer to note 16 for further details). The Company under the agreement, reserves the right to cancel these shares and pay cash, if the shares are worth more than \$4million at the time of settlement. These shares may be cancelled should the transaction not complete following the best efforts of the Company.

Re-structuring of royalty

As part of the initial joint venture agreement entered into in 2007, a 5% royalty payable to external parties existed over future profits from the Kvanefjeld project. In December 2011 the Consolidated group entered into a series of agreements to re-structure the royalty. These agreements will result in a 2% royalty over future production being payable by the Consolidated group to external parties, with the Company issuing \$17.5M in shares as consideration for the 3% balance, refer to note 33 for further details.

These agreements are conditional on the settlement of the acquisition of the remaining 39% interest in the Kvanefjeld project discussed above.

33: Subsequent Events

At a general meeting of members on 23 January 2012, shareholders approved a restructuring of an existing royalty arrangement, payable by the Greenland subsidiary from future profits over the Kvanefjeld project. Under the restructuring the parent Company will acquire a 3% royalty interest currently held by an external third party, Hackleton Investments Limited. This will result in a cancellation of a potential future liability to the Consolidated group. GMEL will issue \$17.5M shares in Greenland Minerals and Energy Limited as consideration for the 3% royalty. The settlement of royalty restructure is conditional on the settlement of the acquisition of the remaining 39% interest in the Kvanefjeld project, which is discussed further in notes 12 and 32.

There has not been any other matter or circumstance occurring subsequent to the financial period that has significantly affected, or may significantly affect, the operations of the consolidated group, the results of those operations, or the state of affairs of the Consolidated group in future years.



Additional stock exchange information as at 15th February 2011

Consolidated group secretary

Miles Guy

Registered office

Unit 6, 100 Railway Road, Subiaco
Western Australia, 6008

Principal administration office

Unit 6, 100 Railway Road, Subiaco
Western Australia, 6008

Share registry

Advanced Share Registry Services
150 Stirling Highway
Nedlands, Western Australia, 6009

Number of holders of equity securities

Ordinary share capital

416,390,488 fully paid ordinary shares are held by 3,614 individual shareholders.

Substantial Shareholders

Shareholder	Number	Percentage
1. Citicorp Nominees Pty Limited	69,894,390	16.8%
2. JP Morgan Nominees Australia Limited	58,652,800	14.9%
3. HSBC Custody Nominees (Australia) Limited	41,648,119	10.0%
4. GCM Nominees Pty Limited	35,000,000	8.4%



Additional stock exchange information as at 15th February 2011

Distribution of holders of quoted shares

Share Spread	Holders	Units	Percentage
1 – 1,000	399	266,684	0.064%
1,001 – 5,000	1,201	3,664,951	0.880%
5,001 – 10,000	736	6,176,514	1.483%
10,001 – 100,000	1,083	36,428,181	8.749%
100,001 and over	195	369,854,158	88.824%
	3,382	416,390,488	100%

Twenty largest holders of quoted shares

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
1. Citicorp Nominees Pty Limited	69,894,390	16.8%
2. JP Morgan Nominees Australia Limited	58,652,800	14.9%
3. HSBC Custody Nominees (Australia) Limited	41,648,119	10.0%
4. GCM Nominees Pty Limited	35,000,000	8.4%
5. Westrip Holdings Limited	17,229,169	4.1%
6. National Nominees Limited	15,199,705	3.7%
7. Zero Nominees Pty Limited	14,228,500	3.4%
8. Benoit Company Limited	12,200,000	2.9%
9. Roderick Claude McIlree	11,369,460	2.7%
10. Rimbal Pty Limited	5,982,906	1.4%
11. Jeremy Sean Whybrow	5,820,200	1.4%
12. Mandarin Securities Limited	5,500,000	1.3%
13. John Mair	5,110,000	1.2%
14. Simon Kenneth Cato	4,712,200	1.1%
15. Falfaro Investments Limited	3,000,000	0.7%
16. UBS Nominees Pty Limited	2,776,915	0.7%
17. ABN Ambro Clearing Sydney Nominees Pty limited	2,445,688	0.6%
18. Nefco Nominees Pty Limited	2,200,511	0.5%
19. Fitel Nominees Pty Limited	2,111,671	0.5%
20. Mr Richard and Mrs Rosa Homsany	1,700,000	0.4%
	316,782,234	76.1%



GREENLAND
MINERALS AND ENERGY LTD



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