



GREENLAND MINERALS AND ENERGY LIMITED

ACN 118 463 004

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2012



Corporate Directory

Directors

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

Company Secretary

Miles Guy

Registered and head office

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Subiaco WA 6008

London

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47 Charles Street
Mayfair London W1J 5EL

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



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Directors' Report

The directors of Greenland Minerals and Energy Limited (GMEL or the Company) herewith submit the consolidated financial report of Greenland Minerals and Energy Limited (the Consolidated Group), for the half-year ended 30 June 2012. Pursuant to the provisions of the *Corporations Act 2001*, the directors report as follows:

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

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

Principal Activities

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

Review of Operations

The net loss of the Consolidated Group after providing for income tax amounts to \$5,985,835 compared to \$6,105,797 for the corresponding period last year.

The first half of 2012 was an important period for Greenland Minerals and Energy with the culmination of several multi-year work programs that have resulted in a number of major milestones being achieved. These achievements have laid the foundation for the next stage in the development of the Kvanefjeld Multi-Element Project.

There have been major advances in metallurgical development and the finalisation of the Kvanefjeld prefeasibility study. In addition, initial mineral resource estimates were established for the Sørensen deposit (formerly referred to as Zone 2) as well as Zone 3. Both aspects have served to reinforce the significance of the Kvanefjeld project. Resource upgrades have lifted the project's inventory to 575Mlbs U₃O₈, and 10.3 Mt TREO, which is now recognised as one of the world's most significant resources of rare earth elements and uranium.

On May 4th, GMEL announced the outcomes of a comprehensive Prefeasibility Study (PFS) for the development of the Kvanefjeld Multi-Element Project (rare earth elements, uranium, zinc). The PFS builds upon extensive drilling, research and testwork programs conducted by the Company over the past five years in association with internationally respected research institutions and accredited analytical facilities.

The PFS also draws on extensive historical work conducted by Danish authorities and scientists in the 1970s and early 1980s, which culminated in an 'historic' prefeasibility study published by Risø National Laboratory (Risø) in 1983. In contrast to the Risø studies that focused solely on the exploitation of uranium, GMEL has evaluated Kvanefjeld for the production of REEs and uranium to access the inherently greater value of a multi commodity resource.

The PFS confirms the clear potential for Kvanefjeld to be developed as a long-life, cost effective producer of heavy, light and mixed rare earth concentrates, uranium oxide and zinc.

The production profile is of global significance in terms of output capacity, and at low production costs.

The high upgrade ratio achieved using flotation, the high extraction of uranium and heavy REEs from mineral concentrates using a conventional atmospheric acid leach, and the ability to produce multiple RE products represent key advantages of the Kvanefjeld Project.



Directors' Report

Through 2010 and 2011, focused research programs led to important metallurgical breakthroughs. The identification of an effective method to beneficiate the Kvanefjeld ore to generate a low mass, REE-uranium-rich mineral concentrate opened the opportunity to leach both REEs and uranium with conventional acidic solutions under atmospheric conditions; a significant and highly favourable outcome by industry standards. Importantly, this eliminated the need for a whole-of-ore alkaline pressure leach circuit that was considered in the 'Interim Prefeasibility Study', released by GMEL in Q1 2010.

The removal of reagent-consuming silicate minerals through beneficiation allows for the effective use of conventional acidic solutions to leach REEs and uranium from the mineral concentrates. It also allows for significant downsizing of the leach circuits. These key technical developments have led to a simpler flowsheet with lower technical risk and significant reduction of capital expenditure and operating costs over those released in the 2010 Interim Prefeasibility Study.

Increasing uranium and heavy REE output can be readily achieved through subsequent development phases that future work programs are scoped to address.

The work commissioned by the Company has been carried out by internationally recognised consulting firms covering a wide range of disciplines, and in particular:

- **Resource definition and mine plans**
 - SRK Consulting, Coffey Mining
- **Metallurgy and process development**
 - AMEC Minproc, ANSTO, SGS Orestest, CSIRO, ALS AMMTEC, Mintek
- **Environmental Impact Assessment and Social Impact Assessment**
 - Coffey Environments, Orbicon (Denmark), Grontmij (Denmark)
- **Plant engineering design, infrastructure, capital development**
 - AMEC Minproc, NIRAS (Denmark)

Key outcomes of the Kvanefjeld PFS include:

- The Prefeasibility Study outlines an initial development scenario with an annual mine throughput of 7.2 Mt, to generate four main products as well as a high-grade zinc sulfide concentrate:
 - *Uranium Oxide – 2.6 Mlbs pa U_3O_8*
 - *Heavy Rare Earth Hydroxide – 4,200 tpa TREO*
 - *Mixed Rare Earth Carbonate – 10,400 tpa TREO*
 - *Light Rare Earth Carbonate – 26,200 tpa TREO*
- Unit costs of production are low; less than US\$31/lb U_3O_8 and less than US\$8/kg TREO (as contained in the three combined rare earth products). This places the Kvanefjeld Project in the bottom half of the cost curve for uranium producers and it will be one of the lowest cost REE producers worldwide.
- The Kvanefjeld Project generates a pre-tax, ungeared internal rate of return of 32% and a cash payback period of 3.1 year, based on long term prices of US\$70/lb U_3O_8 and US\$41.60/kg TREO. The pre-tax NPV is US\$4,631 M (at 10% discount rate).
- Capital costs of an open cut mine, a mineral concentrator and a refining plant, capable of treating 7.2 Mtpa, is estimated to cost US\$1.28 Billion plus a contingency of US\$247Million.
- The Project has an initial mine life of over 33 years, based on the indicated mineral resources established near surface at the Kvanefjeld deposit. Construction is currently scheduled to commence in 2014 and first production in 2016.



Directors' Report

- Highly efficient process flowsheet established drawing on conventional, proven methodologies;
 - *Beneficiation utilising froth flotation achieves high up-grade ratio with dominant REE-uranium minerals concentrated into <15% of ore mass*
 - *Atmospheric leaching of mineral concentrates using sulfuric acid results in >90% extraction of heavy REEs and uranium, with slightly lower LREE extraction. High purity concentrates recovered using solvent extraction.*
- *The Kvanefjeld Project global resource contains 956 Mt and is located 7 km from tidewater, with deep fjords running directly to the North Atlantic Ocean. The resource is mostly outcropping and within 300 m of ground surface. Local infrastructure is well established, with the local town of Narsaq within 10kms of the mine and an international airport at Narsarsuaq 30 kms away.*
- *Mining studies indicate a large open pit with a low waste strip ratio (1.1 tonne of waste for each tonne of ore) in addition to the highest grade material occurring at surface. Total life of mine production is 232.6 Mt at an average mine grade of 341 ppm U_3O_8 and 1.22% TREO.*

Ongoing Process Development and Project Optionality

Since the release of the prefeasibility study, further advances in beneficiation have continued to strengthen the project.

Rigorous testwork has now demonstrated that a mineral concentrate can be produced of 12% REO, 2,000ppm U_3O_8 , utilising a simple flotation circuit. The high-value concentrate opens up the option of shipping the mineral concentrates out of Greenland and establishing refining capacity elsewhere. This concept has been highlighted by a number of potential strategic partners as a more favourable development scenario that is better-suited to their investment criteria.

GMEL continues to develop the refining process that was outlined in the prefeasibility study, and is looking to establish patents over methodologies established by the company's metallurgical team. This places GMEL in an optimal position in that firstly it has a vast resource that can be concentrated simply and effectively in Greenland, and secondly has developed the technology to leach the mineral concentrate with a conventional acid leach under atmospheric conditions. Significantly, the leach step yields high extractions (>90%) for heavy rare earth elements and uranium. Light rare earth recoveries are slightly lower, and are of less overall significance to the project.

Project Ownership

On 6 August 2012 the Company extended and amended our proposed settlement for the acquisition of the balance of the Kvanefjeld joint venture. Since initially announcing the proposed terms to acquire the outstanding 39% of the project in August 2011, the Company has focussed on identifying the least-dilutive means to finalise the acquisition. Further details relating to this matter are included in the subsequent events section of the directors' report

Looking Forward

With key work programs finalised, GMEL is now locking into the next phase of work and the strategy moving forward. Studies are now underway to evaluate potential refinery locations to compare and contrast to the Greenland option that has already been evaluated.

Key management are planning a series of meetings with stakeholders in Greenland to focus the approach to a mining license application, an important aspect to complete the political de-risking of the Kvanefjeld project.

Ongoing discussions with strategic partners will continue, with discussions focussed on establishing the refining capacity for Kvanefjeld mineral concentrates.



Directors' Report

Kvanefjeld Multi-Element Project - Project Status mid-2012

“What makes Kvanefjeld a project of genuine global significance?”

- **Globally significant resource base** - world's largest JORC or NI 43-101 rare earth resource, including largest heavy rare earth resource, top 5 uranium resource.
- **Low mining costs** - owing to bulk tonnage ore bodies amenable to open pit mining that outcrop extensively with low waste.
- **Prefeasibility study** – indicates low operating cost across all product streams
- **Accessibility** - project area is <10 km from tidewater, with deep water fjords providing direct shipping access to project year round.
- **Unique and highly favourable ore-type** – minerals can be beneficiated to produce a high-grade mineral concentrate of sufficient value to ship to regions where lower cost refining of mineral concentrates can take place. This creates flexibility that is highly favourable to strategic partners.
- **Simple, low-technical risk refining** - minerals liberate >90% heavy rare earths and uranium in acid leach under atmospheric conditions. Light rare earths are liberated but with extraction levels in the range of 70-75%.
- **Project fully permitted** - to complete all work programs required to submit an application for a mining license.

Collectively, these points help to differentiate Kvanefjeld from other emerging rare earth projects, and underpin its key advantages.

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

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
Kvanefjeld - March 2011														
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	12429	352	10950	443	11389	1041	2363	0.24	2.53	2.63	178	0.55
250	Inferred	41	12204	324	10929	366	11319	886	2598	0.04	0.45	0.46	29	0.11
250	Grand Total	272	12395	347	10947	431	11378	1017	2398	0.28	2.98	3.09	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
Sørensen - March 2012														
150	Inferred	242	11022	304	9729	398	10127	895	2602	2.67	0.10	0.22	162	0.63
200	Inferred	186	11554	344	10223	399	10622	932	2802	2.15	0.07	0.17	141	0.52
250	Inferred	148	11847	375	10480	407	10887	961	2932	1.75	0.06	0.14	123	0.43
300	Inferred	119	12068	400	10671	414	11084	983	3023	1.44	0.05	0.12	105	0.36
350	Inferred	92	12393	422	10967	422	11389	1004	3080	1.14	0.04	0.09	85	0.28
Zone 3 - May 2012														
150	Inferred	95	11609	300	10242	396	10638	971	2768	1.11	0.04	0.09	63	0.26
200	Inferred	89	11665	310	10276	400	10676	989	2806	1.03	0.04	0.09	60	0.25
250	Inferred	71	11907	330	10471	410	10882	1026	2902	0.84	0.03	0.07	51	0.2
300	Inferred	47	12407	358	10887	433	11319	1087	3008	0.58	0.02	0.05	37	0.14
350	Inferred	24	13048	392	11392	471	11864	1184	3043	0.31	0.01	0.03	21	0.07
Project Total														
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	520	10687	272	9437	383	9820	867	2468	5.55	0.20	0.45	312	1.28
150	Grand Total	956	10798	273	9524	392	9915	882	2351	10.33	0.37	0.84	575	2.25

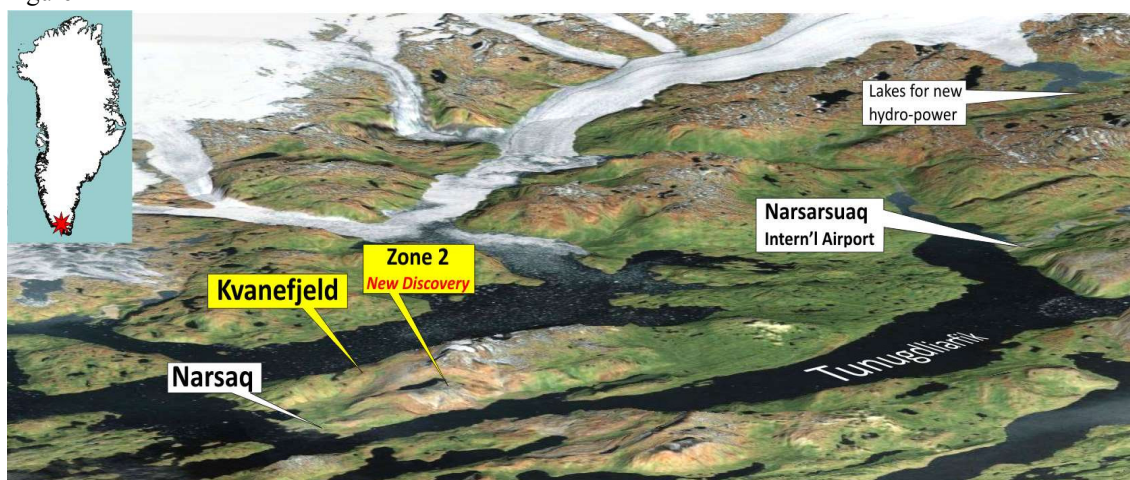
¹There is greater coverage of assays for uranium than other elements owing to historic spectral assays. U₃O₈ has therefore been used to define the cut-off grades to maximise the confidence in the resource calculations.²Total Rare Earth Oxide (TREO) refers to the rare earth elements in the lanthanide series plus yttrium.

Note: Figures quoted may not sum due to rounding.



Directors' Report

Figure 1



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

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

The geological model and geostatistical estimation for the Kvaneffjeld 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.

Rounding off of amounts

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

Subsequent events to balance date

In August 2012, Deeds of Variation were entered into with Westrip Holdings Ltd, Rimbal Pty Ltd and others, varying the outstanding settlement consideration required to acquire the remaining 39% of the Kvanefjeld project exploration license (EL 2010/02) referred to in note 9, to an equity based transaction.

Pursuant to the Deed of Variations, the acquisition can be finalised through the cash payment of \$5,000,000 and the issuing of 55,000,000 shares to Rimbal Pty Ltd and 11,999,998 shares to Westrip Holdings Ltd Shareholders. The shares are to be issued in addition to 7,8250,00 shares and 5,000,000 options that were required to be issued under the original settlement agreement.

The proposed share issues will be subject to Shareholder approval and the settlement date has been extended under the Deed of Variation to the 15 October 2012.

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.

Auditor's Independence Declaration

The Auditor's independence declaration is included on page 8 of the half-year financial report.

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



Roderick McIllree
Managing Director

Date 11/09/2012

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

11 September 2012

Dear Board Members

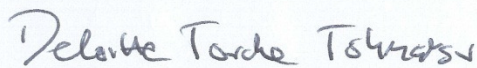
Greenland Minerals and Energy Limited

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.

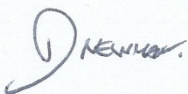
As lead audit partner for the review of the financial statements of Greenland Minerals and Energy Limited for the half year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Greenland Minerals and Energy Limited, which comprises the condensed statement of financial position as at 30 June 2012, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 21.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Greenland Minerals and Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

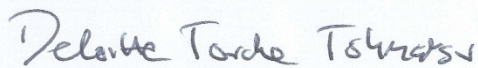
Auditor's Independence Declaration

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

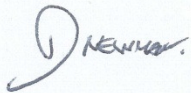
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



David Newman

Partner

Chartered Accountants

Perth, 11 September 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; and
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Group.

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

On the behalf of the Directors

Roderick McIlree
Managing Director

Perth, 11/09/2012



Condensed Consolidated Statement of Comprehensive Income
For the half-year ended 30 June 2012

		Consolidated	
		30-Jun-12	30-Jun-11
		\$' 000	\$' 000
Revenue from continuing operations			
Other income		290	377
Expenditure			
Directors benefits	3	(2,771)	(1,398)
Employee expenses	3	(1,893)	(1,628)
Audit and accounting fees		(40)	(203)
Changes in fair value of held for trading assets		(189)	(206)
Consultant expense		(151)	(395)
Depreciation		(116)	(85)
Legal fees		(97)	(904)
Occupancy expenses		(201)	(405)
Payroll tax		(98)	(21)
Travel expenses		(139)	(587)
Other expenses		(581)	(651)
Loss before tax		(5,986)	(6,106)
Income tax expense		-	-
Loss for period		(5,986)	(6,106)
Other comprehensive income			
Exchange difference arising on translation of foreign operations		(359)	(6,915)
Income tax relating to components of comprehensive income		-	-
Total other comprehensive income		(359)	(6,915)
Total comprehensive income for the period		(6,345)	(13,021)
Loss attributable to:			
Owners of the parent		(5,479)	(5,507)
Non-controlling interest		(507)	(599)
		(5,986)	(6,106)
Total comprehensive income attributable to:			
Owners of the parent		(5,698)	(9,724)
Non-controlling interest		(647)	(3,297)
		(6,345)	(13,021)
Basic loss per share – cents per share		1.4	1.9
Diluted loss per share – cents per share		1.4	1.9

The accompanying notes from part of this financial report on pages 16 to 21.



Condensed Consolidated Statement of Financial Position
As at 30 June 2012

	Note	Consolidated	
		30-Jun-12 \$' 000	31-Dec-2011 \$' 000
Current Assets			
Cash and cash equivalents	4	4,760	10,866
Trade and other receivables		122	238
Other assets	5	443	348
Total Current Assets		5,325	11,452
Non-Current Assets			
Investments in associates		62	62
Property, plant and equipment		1,616	1,734
Capitalised exploration and evaluation expenditure	6	49,186	46,808
Total Non-Current Assets		50,864	48,604
Total Assets		56,189	60,056
Current Liabilities			
Trade and other payables	7	917	1,584
Provisions		303	417
Total Current Liabilities		1,220	2,001
Non-Current Liabilities			
Provisions		77	63
Total Non-Current liabilities		77	63
Total Liabilities		1,297	2,064
Net Assets		54,892	57,992
Equity			
Issued Capital		291,826	291,826
Reserves		5,629	2,603
Accumulated Losses		(235,509)	(230,030)
Equity attributable to equity holders of the parent		61,946	64,399
Non-controlling interest		(7,054)	(6,407)
Total Equity		54,892	57,992

The accompanying notes from part of this financial report on pages 16 to 21.



Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2012

	Share 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 Jan 2011	153,754	118,157	(756)	-	(217,076)	54,079	(1,299)	52,780
Net loss for the period	-	-	-	-	(5,507)	(5,507)	(599)	(6,106)
Other Comprehensive income	-	-	(4,217)	-	-	(4,217)	(2,698)	(6,915)
Total comprehensive income for the period	-	-	(4,217)	-	(5,507)	(9,724)	(3,297)	(13,021)
Issue of shares from option exercise	125,432	(101,049)	-	-	-	24,383	-	24,383
Recognition of share based payments	-	1,460	-	-	-	1,460	-	1,460
Share issue costs	(368)	-	-	-	-	(368)	-	(368)
Balance at 30 June 2011	278,818	18,568	(4,973)	-	(222,583)	69,830	(4,596)	65,234
Balance at 1 Jan 2012	291,826	14,997	(6,783)	(5,611)	(230,030)	64,399	(6,407)	57,992
Net loss for the period	-	-	-	-	(5,479)	(5,479)	(507)	(5,986)
Other comprehensive income for the period	-	-	(219)	-	-	(219)	(140)	(359)
Total comprehensive income for the period	-	-	(219)	-	(5,479)	(5,698)	(647)	(6,345)
Recognition of share based payments	-	3,245	-	-	-	3,245	-	3,245
Balance at 30 June 2011	291,826	18,242	(7,002)	(5,611)	(235,509)	61,946	(7,054)	54,982

The accompanying notes from part of this financial report on pages 16 to 21.



Condensed Consolidated Statement of Cash Flows
For the half-year ended 30 June 2012

	Consolidated	
	30-Jun-12	30-Jun-11
	\$' 000	\$' 000
Cash flows from operating activities		
Receipts from customers	106	66
Payments to suppliers and employees	(2,919)	(5,871)
Net cash used in operating activities	(2,813)	(5,805)
Cash flows from investing activities		
Interest received	172	300
Proceeds from advances to other parties	-	96
Payments for property, plant and equipment	(32)	(1,391)
Proceeds from sale of property, plant and equipment	30	10
Payments for exploration and development	(3,295)	(7,525)
Payments for available for sale assets	-	(12)
Proceeds from sale of held for trading assets	37	596
Payments for held for trading assets	(205)	(250)
Net cash used in investing activities	(3,293)	(8,176)
Cash flows from financing activities		
Proceeds from issue of shares /options	-	24,382
Funds received pending share issue	-	1,143
Share issue costs	-	(368)
Net cash from financing activities	-	25,157
Net (decrease)/increase in cash and equivalents	(6,106)	11,176
Cash and equivalents at the beginning of the financial period	10,866	11,587
Cash and equivalents at the end of the financial period	4,760	22,763

The accompanying notes from part of this financial report on pages 16 to 21.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2012

Note 1: Statement of significant accounting policies

Statement of compliance

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

Basis of preparation

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

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

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

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's financial report for the year ended 31 December 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going concern

The half year financial report has been prepared on the going concern basis, which assumes that the Consolidated Group will be able to realise its assets and discharge its liabilities in the normal course of business. At the date of this report, the directors are confident that the Consolidated Group and Company will be able to continue as going concerns and to meet the expenditure requirements to continue to progress development of their exploration assets. This is based on operating cost reduction measures that have been implemented by the Consolidate Group and the Consolidated Group's ability to access further funds either through capital raisings or the \$15 million Yorkville Equity Line of Credit facility ("Yorkville Facility"). The Consolidated Group entered into the Yorkville Facility in July 2010, and remains available if needed and at the Consolidated Group's discretion to be drawn down in tranches through to July 2015. As at the date of this report the Consolidated Group has not drawn down on the Yorkville Facility.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2012

Note 1: Statement of significant accounting policies (cont'd)

Adoption of new and revised accounting standards

In the current period, the Consolidated Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are relevant to its operations and effective for annual reporting periods beginning or after 1 January 2012. The adoption of these new and revised standards and interpretations has not resulted in any changes to the Consolidated Group's accounting policies or the amounts reported in the current or past reporting periods.

Note 2: Segmented reporting

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

The Consolidated Group undertakes mineral exploration and evaluation in Greenland, one operating segment is identified, which is unchanged from that identified at 31 December 2011.

Note 3: Director and employee expenses

	Consolidated	
	30-Jun-12	30-Jun-11
	\$' 000	\$' 000
Directors' fees and salary expense	704	711
Directors' share based payments	2,067	687
	2,771	1,398
Employee benefits	715	855
Employee share based payments	1,178	773
	1,893	1,628

Note 4: Cash and cash equivalents

	Consolidated	
	30-Jun-12	31-Dec-11
	\$' 000	\$' 000
Cash at bank	181	388
Cash on deposit at call	4,155	10,040
Cash on deposit	424	438
	4,760	10,866



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2012

Note 5: Other Assets

	Consolidated	
	30-Jun-12	31-Dec-11
	\$' 000	\$' 000
Deposit bonds	78	-
Prepayments	292	291
Investments carried at fair value:		
Shares/options in listed companies (i)	73	57
	443	348

- (i) Investments in listed company shares and options are carried at fair value. Fair value is based on the closing price on the Australian Securities Exchange, of the shares and or options held at the end of the reporting date.

Note 6: Capitalised exploration and evaluation expenditure

	Consolidated	
	30-Jun-12	31-Dec-11
	\$' 000	\$' 000
Balance at beginning of period	46,808	42,149
Exploration and/or evaluation phase in current period:		
Capitalised expenses (i)	2,703	14,261
		56,410
Less: Effects of movements in exchange rates (ii)	(325)	(9,602)
Balance at end of period	49,186	46,808

- (i) On the 31 July 2007, Greenland Minerals and Energy Limited acquired a 61% interest in the Kvanefjeld Project. As part of the acquisition, the Company entered into an un-incorporated joint venture with Westrip Holdings Limited (Westrip), a UK based company to carry out the exploration and evaluation of Kvanefjeld. The Company holds a 61% interest in the joint venture and Greenland Minerals and Energy (Trading) A/S, which holds the EL 2010/02, the exploration license covering the Kvanefjeld Project, with Westrip holding the balance. Under the joint venture agreement, from 17 August 2009 both joint venture parties are required to contribute to the exploration expenditure, in proportion to their respective interests in the joint venture. To date Greenland Minerals Energy Limited has continued to fully fund the exploration expenditure and the Company has not made a claim against Westrip Holdings Limited for its share of the exploration expenditure post 17 August 2009. In August 2011 the Company entered into agreements to acquire Westrip's interest in the project. In August 2012 this agreement was amended, refer to note 10 for further information. At the date of this report, settlement of this transaction was still pending.
- (ii) During the year ended 31 December 2011, the Company received revised legal advice indicating that legal and beneficial ownership of the Kvanefjeld Project vested 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.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2012

Note 6: Capitalised exploration and evaluation expenditure (cont'd)

- (iii) The Company directly holds a 100% interest in Greenland exploration licenses EL 2011/23, 2011/26 and 2011/27. To date minimal expenditure has been expended in relation to these additional licenses.
- (iv) The recoverability of the Consolidated Group's carrying value of the capitalized exploration and evaluation expenditure relating to the Kvanefjeld Project is subject to the successful development and exploitation of the exploration property. The Consolidated Group will carry out a definitive feasibility study including among other areas, environmental and social impact studies, with the intention of applying for the right to mine. Alternatively recoverability could result from the sale of the tenement at an amount at least equal to the carrying amount.
- (v) 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. The Greenland Government currently has a zero tolerance approach to the exploration and exploitation of uranium. This developments has 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.

Note 7: Trade and other payables

	Consolidated	
	30-Jun-12	31-Dec-11
	\$' 000	\$' 000
Accrued expenses (i)	120	67
Trade creditors (ii)	662	1,176
Sundry creditors (ii)	135	341
	<u>917</u>	<u>1,584</u>

- (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.

Note 8: Expenditure commitments

Exploration commitments: The Consolidated Group holds four exploration licenses for which it has exploration commitments. The Consolidated Group's primary license, which covers the Kvanefjeld Project, is EL 2010/02 located in southern Greenland. The exploration commitment on EL 2010/02 is approximately A\$330,000, for the year ended 31 December 2012. Expenditure made to date in 2011 and expenditure credit carried forward from prior years, will be sufficient to keep the license in good standing until December 2014.

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



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2012

Note 9: Significant conditional transactions

The Consolidated Group entered into two significant transactions during the financial year ended 31 December 2011 that were subject to conditions precedent for settlement to occur. These conditions were not satisfied at 30 June 2012. 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 provided 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.

The agreements are subject to the Company 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 was 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 \$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 2011 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. The Company under the agreement to extend the settlement, reserved the right to cancel these shares and pay cash, if the shares are worth more than \$4million at the time of settlement. These shares could have been cancelled should the transaction not complete following the best efforts of the Company.

A further extension to the settlement was granted to 15 August 2012, refer to note 10 for further information.

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.

These agreements are conditional on the settlement of the acquisition of the remaining 39% interest in the Kvanefjeld project discussed above and referred to in note 10.



Notes to the condensed consolidated financial statements

For the half-year ended 30 June 2012

Note 10: Subsequent events to balance date

In August 2012, Deeds of Variation were entered into with Westrip Holdings Ltd, Rimbal Pty Ltd and others, varying the outstanding settlement consideration required to acquire the remaining 39% of the Kvanefjeld project exploration license (EL 2010/02) referred to in note 9, to an equity based transaction.

Pursuant to the Deed of Variations, the acquisition can be finalised through the cash payment of \$5,000,000 and the issuing of 55,000,000 shares to Rimbal Pty Ltd and 11,999,998 shares to Westrip Holdings Ltd Shareholders. The shares are to be issued in addition to 7,825,000 shares and 5,000,000 options that were required to be issued under the original settlement agreement.

The proposed share issues will be subject to Shareholder approval and the settlement date has been extended under the Deed of Variation to the 15 October 2012.

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.

Note 11: Dividends

No Dividends have been paid or proposed during the half-year ended 30 June 2012.