

GGG.AU

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Rare Earth Elements, Uranium, Zinc, Sodium Fluoride
Greenland
Advanced Exploration
Exchanges: ASX:GGG

Greenland Minerals and Energy Ltd

A\$ 0.49

The Kvanefjeld Pre-Feasibility Study forecasts that a US\$2.31bn mine could become one of the world's main sources of REE (43.7kt/yr) and uranium (3.9kt/yr U₃O₈) - current resource includes 283mlbs U₃O₈. Uranium mining negotiations are ongoing.

Capital Profile

Share price (A\$)	0.49
52 week range (A\$/share)	0.17 to 0.94
Number of shares (m)	226
Options and warrants (m)	176
Convertible notes (m)	0
Fully diluted (m)	398
Market capitalisation (undiluted) (A\$m)	110.7
Debt (A\$m) - Mar 10F	0.0
Enterprise value (A\$m)	110.7
Major shareholders: GCM Nominees (15.1%), Westrip Holdings (11.2%), Citicorp Nominees (9.5%), ANZ Nom. (7.6%), HSBC Custody Nom. (5.4%)	
Avg monthly volume (m)	8
Cash (A\$m) - Dec 09F	15.6
Price/Cash (x)	7.1
Price/Book (x)	1.9
Listed company options:	GGGO

Investment Points

Multi-element focus at Kvanefjeld - uranium component valued in-ground at ~US\$17 billion (US\$60/lb) and REE at ~US\$49 billion (US\$10/kg).

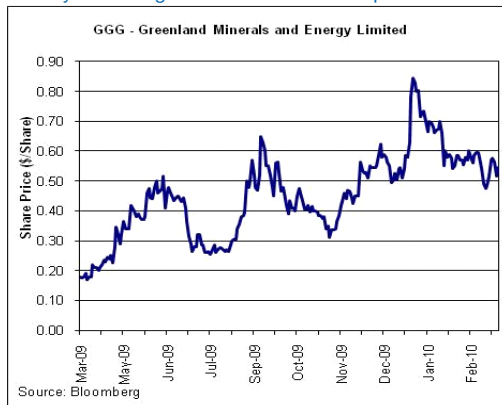
Potential to be one of the world's largest REE and U deposits - plus economic potential NaF, Zn and Sn.

JORC resource (Jun '09) containing 283mlbs U₃, 4.9mt REO, 1mt Zn and 3.1mt NaF- defined over 2km x 1km, open at depth (>300m) and along strike.

Metallurgical studies are advanced: process flow sheet includes alkaline/carbonate pressure leach for uranium, and separate flotation and leach for REO.

Pre-feasibility study, Feb '10: processing 10.8mtpa for 23 years, producing 43.7ktpa REO and 8.6mlbspa U₃ Capex is US\$2.31bn, opex US\$41/t. NPV US\$2.18bn.

Mineral Resources Act came into force Jan '10, transferring mineral rights from Denmark to Greenland. Actively consulting about issue of uranium production.



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Production and Financial Forecasts

Year End: June	Dec-09a	Mar-10F	2009a^	2010F	2011F
Exploration and evaluation (A\$m)	2.15	0.65	10.97	2.45	2.40
Corporate (A\$m)	1.93	1.50	4	6.00	6.00
Exploration/(Expl.+ Corporate) (%)	53	30	73	29	31
Funding duration at current burn (years)			1	1.2	6.8
Shares on issue (pr end) (m shares)	226.8	243.5	218.5	243.5	423.3
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	1,000	1,000	10,000	4,000	4,000
Land holding ('000 ha)	211	211	211	211	211
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.8	10.0	5.0	10.0	53.6
Funding from JV partners (A\$m)	0	0	0	2	1.6
Cash (A\$m)	7.6	15.6	14.0	9.8	56.8
Cash backing (Ac/share)	3.4	6.4	6.4	4.0	14.8
Net asset backing (Ac/share)	21.5	23.6	22.0	22.0	26.7

* Uranium prospective properties only.

^Financial year end June 30, now changed to December 30.

Company Comment

Overview: Greenland Minerals and Energy Limited is a Perth based company that listed on the ASX in June 2006 (ASX:GGG). It is evaluating the uranium-rich Kvanefjeld multi-element project in Greenland.

Kvanefjeld (uranium, Greenland): The project (80km²) is located on the SW tip of Greenland, at Narsaq. Within the llimaussaq alkaline intrusive igneous complex, it is one of the world's largest undeveloped rare earth elements and uranium deposits. Other potentially economic elements and minerals include zinc, tin and sodium fluoride. Uranium GGG's ownership of 61% is moving to 90% with A\$10m cash payment, and 100% with additional A\$50m.

The deposit: is a flat-lying slab of disseminated mineralisation, open at depth and in three directions, and accounts for ~10% of the prospective host rock. Current **JORC resource** (Jun '09) is 457mt @ 0.028% U₃O₈ for 283mlbs, 1.07% REO for 4.91mt (includes yttrium) and 0.22% Zn for 0.99mt, with 79% of these in the Indicated category. There is also 363mt @ 0.85% NaF for 3.09mt. The resource covers 2km by 1km and extends from surface to 280m depth. There is significant resource and exploration upside within the ~6km x 4km llimaussaq intrusive (e.g. prospects K2-K8). The company expects further resource expansions.

Metallurgical and mineralogical tests are at an advanced stage. Current process flow sheet includes alkaline pressure leach (CPL) to remove uranium, recovering 84%, followed by flotation and acid leach to produce REE carbonate (rec. 34%). There is potential to improve recoveries, and to beneficiate the ore prior to the CPL circuit and reduce costs. There is also the possibility of generating a zinc concentrate (ZnS). Fluorine and thorium can both convert to insoluble compounds during CPL.

Pre-Feasibility Study (January 2010): is of open cut mining and 10.8mtpa processing, for 43.739kt REO and 3.895kt (8.6mlbs) U₃O₈. Total capital cost is US\$2.31bn including contingency. Operating costs are US\$3.83t/mining, US\$23.55/t for the CPL uranium circuit (US\$29.61/lb at head grade 365ppm U₃O₈), which includes some of the REO flowsheet, and a further US\$13.62/t for the REO circuit (US\$3.36/kg at head grade 1.19% REO). In the PFS, construction is scheduled for 2013 and production for 2015. The study places mid-point NPV (10% disc) at US\$2.18bn (pre tax), including five year payback and IRR 24%. Assumed base commodity prices are US\$80/lb U₃O₈ (current contract price is US\$60/lb) and US\$13/kg REO. Break even U₃O₈ price is US\$37.47/lb at 10% discount. A 15% reduction in U price, to US\$68/lb, reduces the pre-tax NPV to ~US\$1.58bn. RCR's long term average contract price assumption is US\$44/lb but a higher price in this case is reasonable given the potential for scale and consistency of long term supply. A Definitive Feasibility Study could start in 2011.

Investment Comment: GGG's focus is on advancing the Kvanefjeld project in Greenland. The resource of REE and uranium is one of the world's largest, with huge exploration upside and potential to feed the growing REE market. An NPV of US\$1.58bn for a PFS-stage project, compared to the current market cap of A\$215m, suggests GGG is undervalued. Why the large gap? The effects of dilution while raising US\$2.31bn capex must be considered; however, if GGG gets 25% of this in equity at A\$1/share, in 2013 it will have ~1bn shares that could be worth +A\$1.50. In terms of this value being realised, the market has been waiting on three key milestones: a final process flow sheet, which is now at an advanced stage; a transfer of mineral rights from Denmark to Greenland, which occurred in January 2010; and permission from Greenland for uranium mining, where it is currently banned. Some positive movement on this final front could result from ongoing negotiations with regional stakeholders.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Uranium U ₃ O ₈	Classification	Project Equity	Ore Mt	U ₃ O ₈ %	Cut Off ppm	U ₃ O ₈ Kt	U ₃ O ₈ Mlb	U ₃ O ₈ Equity Mlb
Reserves						0.0	0.0	0.0
Resources								
Kvanefjeld*	Indicated, inferred	61%	457	0.03	150	128	283	173
Mineralised Material (est., non compliant with JORC)						0.0	0.0	0.0

*Also total REO (4.91mt contained @ 1.07%), Zn (0.99mt contained @ 0.22%) and NaF (3.09mt contained @ 0.85% NaF).

Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Kvanefjeld	61%/100%	U, REO	Westrip	Igneous	na	Advanced Expl	Greenland

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