

ASX Announcement : 5 November 2012

Kvanefjeld Settlement and Outlook

Open Briefing interview with CEO Rod McIlfree

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Greenland Minerals and Energy Limited (ASX: GGG) is an exploration and development company focused on the Kvanefjeld (GGG 100%) multi-element (rare earth elements, uranium, zinc) project in southern Greenland with a JORC indicated and inferred resource of 956 million tonnes containing 10.33 million tonnes total rare earth oxides, 575 million pounds U₃O₈ and 2.25 million tonnes zinc.

Market capitalisation: \$176 million

In this Open Briefing®, Rod discusses

- Move to 100% ownership of Kvanefjeld
- Capital raising outcome
- Outlook for uranium mining in Greenland

Record of interview:

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Greenland Minerals and Energy Limited, (GMEL, ASX: GGG) recently announced that it had moved to 100% ownership of the Kvanefjeld multi-element project in Greenland following its acquisition of the outstanding 39% of the asset that it did not own. The board views the move as value accretive for shareholders. What are the key value accretion opportunities now that you have full ownership?

CEO Rod McIlfree

Assuming 100% ownership of Kvanefjeld had been a key milestone for 2012 so we're pleased to have it wrapped up. Our aim was to move to 100% ownership as we transition into the detailed stage of the feasibility program, and confidence in the project continues to build. The move places us in a strong position to firm up strategic partnerships and structure the business to successfully implement the project.

We also felt that 100% ownership of Kvanefjeld was an important step in building shareholder value, as full ownership of our core asset provides clarity on our capital structure, and removes any uncertainty associated with the valuation of Kvanefjeld as we progressively de-risk the project. Ultimately we've exchanged approximately 15% of the company's issued capital for the 39% of our core asset that we didn't own; clearly a value accretive step for the existing shareholder base.

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What are the implications of 100% ownership of Kvanefjeld for progressing the development of the project?

CEO Rod McIlfree

The ability to interact with regulatory stakeholders as the sole owner of the project, rather than a JV manager, should assist with our application for a mining license. With 100% ownership we certainly have a clearer structure for negotiating and bringing in a strategic partner at the project level; a scenario that was restricted by the previous joint venture structure.

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Settlement terms with Rimbal Pty Ltd included a payment of \$5 million plus the issue of 74,824,998 shares at \$0.45 per share and 4,999,520 options exercisable at \$0.75. Are there any escrow restrictions on the issued shares? What are Rimbal's intentions regarding its holding in GMEL, and as a 14.5% shareholder will it seek a board seat or management involvement?

CEO Rod McIlree

The shares are not escrowed and Rimbal will not be seeking a board seat. Key Rimbal personnel have a strong working understanding of both Greenland and the rare earth metals space. Part of the reasoning for Rimbal to accept an equity-based settlement was that it was very comfortable with the achievements and forward strategy of our board and management team. Rimbal has watched the growing international profile of the Kvanefjeld project, and the growing support in Greenland, and recognised that moving from its position as a joint venture partner to a major shareholder was the right path forward. Rimbal's intent is to maintain its position in the long term, and we're fully confident that it will be a long-standing, supportive shareholder.

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GMEL recently placed 50 million shares to existing and new institutional and sophisticated investors at \$0.30 cents per share for \$15 million in a capital raising that was oversubscribed. What was the investor feedback from the raising? What is your current level of cash and do you have adequate funds to cover the definitive feasibility study (DFS) currently underway?

CEO Rod McIlree

The feedback from the raising was very positive, as indicated by the rapid response once we'd broadcast our intentions in what are difficult capital markets. Kvanefjeld is now a significantly advanced project with a very strong technical foundation – it's where a project needs to be to attract investor interest in this market. If you're still trying to firm up a resource, or find a viable process route, it's much harder to raise in this environment.

Following the move to 100%, we'll have approximately \$15 million in cash. Our strategy was to bring in the necessary funds to take us through the next phase of firming up our initial development strategy without issuing an excessive number of shares when we can see some major value points in the near term. We'll be updating the market on these through the next couple of months.

These funds also allow us to progress work programs to generate data for a mining license application. We have a number of other financing options in the pipeline to fund detailed engineering studies to make all aspects of the project bankable, but it was important to move to 100% project ownership prior to firming up these options.

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In May 2012 GMEL released a pre-feasibility study for Kvanefjeld, indicating the potential for a long-life project with annual production of approximately 2.6 million lbs U₃O₈, 4,200 tonnes of heavy rare earth hydroxide, 10,400 tonnes of mixed rare earth carbonate and 26,200 tonnes of light rare earth carbonate. What has been the progress on the DFS and the environmental and social impact assessments (EIA and SIA) and when are they expected to be completed?

CEO Rod McIlree

Since we released the Kvanefjeld pre-feasibility study, we've commenced optimising the process flow sheet which has continued to strengthen the project and de-risk it technically. Kvanefjeld is now one of the few rare earth element (REE) projects that has a rigorously established process flow sheet with significant geometallurgical input; a point that is generally overlooked by sector analysts. In late November we'll conduct the final piloting

stage for the mineral concentrator, a program that will provide all the technical information we need for the full feasibility assessment of that aspect of the project.

At present we're working through a process of establishing the optimal start-up capacity for Kvanefjeld and the associated business model. The EIA and SIA are progressing well, with a lot of data generated since the terms of reference were approved by the Greenland government in mid 2011. The completion of these studies is subject to firming up our project implementation strategy which we're currently addressing. This includes ongoing discussions with potential strategic partners, as well as the Greenland government.

We conducted several years of environmental baseline studies prior to launching the impact assessments, so we've been taking a very comprehensive approach to the environmental considerations. It's also very important to keep local stakeholders updated through this process, so we've run a consistent stakeholder engagement program over the last few years. This allows us to focus on aspects of particular importance to local communities, but also to highlight the employment opportunities associated with Kvanefjeld and the broader multiplier effects on businesses in southern Greenland. The project will be an integral part of the local community so it's been particularly important for our plans to take in community concerns and suggestions put forward during the consultation and engagement process.

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Greenland's current Minister for Industry and Mineral Resources, Ove Karl Berthelsen, is known to be a supporter of uranium mining in Greenland and has proposed a review of the country's anti-uranium mining policy during the current sitting of parliament. What processes would be involved in changing the policy and is there likely to be a definitive outcome when parliament finishes its sitting on 15 November?

CEO Rod McIlree

Over the last few years there has been a lot of information gathering by the Greenland government in regard to issues associated with radioactivity and uranium mining, and that's an important part of the process. In parallel, we've received some major licensing approvals from the government as we've advanced the project.

There aren't necessarily any changes required to Greenland's Mining Act, and we're already licensed for all current activities, so technically speaking, approval for uranium mining should be reasonably straight forward. It just requires a consensus position from the government. As put forward in the media, uranium will likely be discussed in the current sitting of parliament, and we would anticipate further clarity when that takes place.

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Greenland's current Inuit Ataqatigiit (IA) party government issued GMEL a uranium exploration license in 2011. With an election looming in 2013, would a change of government present a risk to the economics of the Kvanefjeld project?

CEO Rod McIlree

The IA government has authorised all the key licensing approvals for Kvanefjeld thus far and driven the information gathering process. However, historically it was the IA party that had the strongest resistance to exploiting uranium. We've been positioning Kvanefjeld to be supported by all political factions in Greenland, so a change in government would not change our strategy or approach. We're aiming to develop Kvanefjeld in close consultation with all Greenlandic stakeholders, and the project has a strong community support base.

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Thank you Rod.

For more information about Greenland Minerals and Energy Limited, visit www.ggg.gl or call Rod McIlfree on +61 8 9382 2322

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