



GREENLAND
MINERALS AND ENERGY LTD

“ At the forefront of
Greenland’s emerging
minerals industry. ”



2013

ANNUAL
REPORT

Contents

Introduction	1
Highlights of 2013	2
Review of Operations	4
The Historical Backdrop to the Repeal of the Zero-Tolerance Policy	6
The Modern Era	7
The Next Steps	8
Project Developments in 2013	9
Advances to the Refinery Circuit	10
2013 Field Work in Greenland	11
Background Radiation Monitoring	12
Geotechnical Mapping	12
Stakeholder Engagement Program	12
Update on the EURARE Project	14
2013 Summary	14
Table of Identified Mineral Resources	16
Annual Financial Report	17
Corporate Governance Statement	18
Directors' report	22
Auditor's independence declaration	47
Independent auditor's report	48
Director's declaration	50
Statement of profit and loss and comprehensive income	51
Statement of financial position	52
Statements of changes in equity	53
Statement of cash flows	54
Notes to the accounts	55
1 General information	55
2 Significant accounting policies	55
3 Critical accounting estimates and judgments	64
4 Segmented information	65
5 Revenue	65
6 Expenditure	65
7 Income tax expense	67
8 Cash and equivalents	68
9 Trade and receivables	68
10 Other assets	69
11 Property plant and equipment	69
12 Capitalised exploration and evaluation expenditure	70
13 Trade and other payables	72
14 Other liabilities	72
15 Provisions	72
16 Issued capital	73
17 Reserves	73
18 Dividends	75
19 Accumulated loss	75
20 Loss per share	75
21 Commitments for expenditure	76
22 Subsidiaries	76
23 Notes to the statement of cash flows	77
24 Share based payments	77
25 Financial instruments	86
26 Key management personnel compensation	89
27 Key management personnel equity holdings	90
28 Transactions with related parties	94
29 Parent company information	94
30 Remuneration of auditors	95
31 Subsequent events	95
Additional stock exchange information	96

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

CHIEF FINANCIAL OFFICER/ COMPANY SECRETARY

Miles Guy

REGISTERED AND HEAD OFFICE

Unit 6, 100 Railway Road
Subiaco WA 6008
Greenland
Nuugaarmiut B-847
3921 Narsaq, Greenland

HOME STOCK EXCHANGE

Australian Securities Exchange, Perth
Code: GGG
GGGO

AUDITORS

Deloitte Touche Tohmatsu

SHARE REGISTRY

Advanced Share Registry
150 Stirling Highway
Nedlands WA 6009

COMPANY WEBSITE

www.ggg.gl

Introduction

Greenland Minerals and Energy (“GME”, or “the Company”) is positioned at the forefront of Greenland’s emerging minerals industry. The Company has been operating in southern Greenland since 2007, with a primary focus on the Kvanefjeld rare earth - uranium project.

The Kvanefjeld project is unique; ideally located amongst the fjords of southern Greenland, the project area offers direct year-round shipping access, and has an international airport nearby. The mineral resources are world-class. Drilling to date has established a 956Mt JORC-code compliant resource base that contains one of the world’s largest resources of both rare earth elements and uranium in near-surface, bulk ore bodies. Clear scope remains to expand this resource base several fold.

Feasibility studies on Kvanefjeld are well-advanced, with an advantageous and highly effective metallurgical flow-sheet developed by a respected metallurgical team. A prefeasibility study on Kvanefjeld (2012), highlighted that the project could be developed as a long-life, cost-competitive specialty metals project, with strong growth potential. Subsequent studies have reinforced the Company’s confidence in Kvanefjeld, with multiple revenue streams standing to deliver a robust economic proposition.


Kvanefjeld is now recognised as a priority project by the Greenland government, and will be entering the permitting pipeline at the start of 2015.



GREENLAND
MINERALS AND ENERGY LTD

2013 | HIGHLIGHTS

- In late October Greenland's parliament voted in favour of removing a long-standing zero-tolerance policy against the exploitation of radioactive materials. This landmark decision places Greenland on the path to uranium-producer status, and thereby opens up coincident resources of rare earth elements to exploitation. The parliamentary decision received broad coverage in the international press, and sent a strong message that Greenland is prepared to make the important and sometimes difficult decisions that are required to advance the quest of establishing a minerals industry.
- As announced in January 2014, Greenland and Denmark are working to have a cooperation agreement in place in 2014 to map out the regulatory responsibilities associated with uranium production. Greenland is aiming to be positioned to issue a mining license for Kvanefjeld in early 2016. This is in line the Company's forward schedule and ongoing feasibility program.
- Technical work programs continued to advance the Kvanefjeld project through 2013, and served to progress the de-risking of the project, and build confidence in the advantageous process flow sheet.
- Test work for the concentrator circuit was completed in late-2012, with the second of two highly successful pilot plant operations. An updated study was then released in March 2013 (the Mine and Concentrator Study), that captured the technical advances to the beneficiation circuit, and the initial 3Mtpa start-up capacity.
- An effective hydrometallurgical process route has been developed for the treatment of the rare earth- and uranium-rich mineral concentrates generated via froth flotation. The refinery circuit utilises simple equipment and elegant chemistry, with scaled-up test work in 2013 demonstrating the production of a high purity rare earth intermediate product.



“ Greenland’s world class mining opportunity.”

■ The Company has been conducting extensive environmental baseline studies in the Kvanefjeld project area for several years, as a basis to evaluate the potential environmental impacts of a mining operation. The baseline studies provide an indication of the natural chemistry of the broader project area, and the background concentrations of many chemical elements in soil, water, dust and biological matter.

■ Comprehensive background radiation monitoring was also undertaken in the broader project area along with the town of Narsaq, and builds on data gathered over several years.

2014

In 2014, GME is focussed on finalising a mining (exploitation) license for the Kvanefjeld project; the next key milestone. In parallel, the Company is looking to progress relations with potential development partners. With continued de-risking of the world-class Kvanefjeld project, GME remains focussed on delivering share-holder value.



Review of Operations

In 2013, much of the attention on Greenland Minerals and Energy related to political events in Greenland, and the impact that these events would have on how the Company's Kvanefjeld multi-element project would proceed. Specifically, in late October Greenland's parliament voted in favour of removing a long-standing zero-tolerance policy against the exploitation of radioactive materials. This landmark decision places Greenland on the path to uranium-producer status, and thereby opens up coincident resources of rare earth elements to exploitation. The parliamentary decision received broad coverage in the international press, and sent a strong message that Greenland is prepared to make the important and sometimes difficult decisions that are required to advance the quest of establishing a minerals industry.

In many respects, Greenland's removal of the political impedance that had otherwise hindered the development of one of the world's most prolific resources of both rare earth elements and uranium punctuates 2013 as the most important year in GMEL's history.

The internationally mining community's strong endorsement of Greenland's positive uranium vote was highlighted in December at Europe's largest mining conference, hosted in London, where Greenland received the 2013 Country Award under the Mining Journal's 'Outstanding Achievements Awards'.

The parliamentary vote on zero-tolerance took place on October 24th, and represented the culmination of several years of discussion and debate in Greenland on whether such a significant step should be taken. As in many places, the viewpoints in Greenland on the exploitation of radioactive materials and nuclear power have been varied, with the topic generating emotive debate in both political and community forums. However, the positive vote represented the critical event that would see Greenland and Denmark progress in earnest to establish the regulatory framework required to responsibly manage the exploitation of radioactive minerals in Greenland. Never before, in its multi-decade history, has the Kvanefjeld project had a clearer path to mine development.

Greenland's push for the development of mining projects accelerated in 2009, when it took the official step of assuming increased self-governance with the move from 'Home Rule' to 'Self Rule'. This major political step provided Greenland with authority to preside over the exploitation of natural resources; an authority that had previously been managed jointly with Denmark. 'Self Rule' in Greenland has brought a strong focus on pushing toward a stronger economy, with the aim of establishing a new generation of mining operations to provide the cornerstone. In time, there is a desire for

revenues generated from mining operations to replace and exceed those from Danish block grants that have subsidised Greenland's economic viability, and to complement revenues from the ailing fishing industry.

This agenda has brought a number of key issues and decisions to the political fore as Greenland prepares the rules and regulations that are required to effectively interface with the international resources industry. Of the key issues, the long-standing zero-tolerance policy against the exploitation of radioactive minerals had been undoubtedly significant, and its repeal would mark another major step by Greenland in its committed quest to establishing quality mining projects, a viable economy, and greater independence.





“ Greenland -
the gateway to
the Arctic. ”

Figure 1. An overview of the Arctic region highlighting renowned major mining operations. It stands as an obvious anomaly that Greenland does not yet have a significant mining operation, particularly in consideration of Greenland’s prospective geology. However, with several large-scale projects now moving through the permitting process, this is expected to change in the coming years. The opening up of the Arctic shipping lanes provides increased access to the Asia-Pacific markets, enhancing Greenland’s appeal to Asian investors.

Review of Operations (continued)

The Historical Backdrop to the Repeal of the Zero-Tolerance Policy

The presence of significant quantities of uranium resources in southern Greenland has been known for several decades. The Danish government had conducted initial evaluations into extracting uranium from the unique rocks and minerals of the Ilimaussaq complex located near Greenland's southern tip, between the 1960's and early 1980's, largely driven by the consideration of establishing civil nuclear power in Denmark.

The pursuit of nuclear power fell out of political favour in Denmark in the early 1980s, and investigations into establishing a uranium mine in Greenland were halted. In 1988, the zero-tolerance policy concerning radioactive materials was introduced. However, the studies had highlighted the potential for vast resources. Internationally renowned geoscientist Henning Sørensen, who had played a key role in driving the investigations, had put forward geological

resource estimations for well over a billion pounds of uranium oxide to be hosted within the northern portion of the Ilimaussaq complex; the potential for globally-significant resources was clear.

When Denmark ceased the investigations into uranium mining in southern Greenland in the early 1980's, scientific studies on the extraordinary rocks of the Ilimaussaq complex continued, largely driven by Sørensen and his colleagues. Continued studies led to the recognition that aside from uranium (and thorium), the unique minerals were also strongly enriched in a variety of specialty metals, in particular rare earth elements. This recognition led to the concept of multi-element exploitation; a thesis that has been the focus of the new era of investigations conducted by GMEL since 2007.



Figure 2. Since 2007, drill programs conducted by Greenland Minerals and Energy have defined one of the largest resources of rare earth elements and uranium globally within the northern Ilimaussaq Complex.

The Modern Era

Initial drill programs conducted by GMEL in 2007 and 2008 confirmed that resources in the northern Ilimaussaq Complex were indeed polymetallic and were increasingly expansive, as scientists had previously forecast. Drill programs initially focussed on an area known as Kvanefjeld – a broad plateau near the headwaters of the Narsaq valley that had been the focal point of historic investigations.

The reinvigoration of mineral exploration at Kvanefjeld led to the zero-tolerance policy and its potential removal being raised for discussion in Greenland's parliament in late 2008; approximately 25 years since previous evaluations of Kvanefjeld had ceased.

As work programs continued to advance Kvanefjeld, new licensing requirements were necessary to effectively evaluate the project. In September 2010, the Greenland Government, led by the Inuit Ataqatigiit (IA) Party, introduced an amendment to the 'Standard Terms for Exploration Licenses in Greenland'. This allowed for organizations to apply for approval from the Bureau of Minerals and Petroleum (BMP) to conduct feasibility studies on potential mining projects which contain elevated concentrations of radioactive elements. At the direction of the government, information briefs on uranium were produced by technical agencies and made available to the populous. A delegation of politicians and government officials then made study tour of Canada to learn more about the Canadian uranium mining industry and its governance.

In November, 2011 the BMP then amended GMEL's exploration license over Kvanefjeld to include uranium. This move provided the Company with the right to apply to exploit uranium along with other economic minerals. This licensing development was important as it created a framework in which a mining application could be submitted for processing by regulators for a project that includes uranium. However, despite these developments, the zero-tolerance policy remained, shrouding Kvanefjeld in political uncertainty.

In the 2012 autumn session of parliament, the Greenland Government initiated a series of reports to address the consequences of removing the zero-tolerance policy. These reports, conducted by independent experts, set out to address the regulatory roles of both Greenland and Denmark in managing uranium exploitation, identify all international conventions that would need to be adhered to, as well as investigating the potential environmental and health risks. The series of reports were completed through the course of 2013, and provided a solid information basis for Greenland to remove the zero-tolerance policy and map out a path to uranium producer status, in accordance with best international practice.

In March, 2013, a national election in Greenland saw the Siumut Party return to power, with a clear intent to remove the zero-tolerance policy, and move to effectively regulate uranium production. The election took place just prior to the time window in which the 'spring sitting' of parliament would traditionally take place. With the election result bringing a change of government, the sitting of parliament was deferred until late in 2013, with matters that required parliamentary address being placed on hold until that point.

The debate surrounding uranium exploitation in Greenland has largely been ideological. Interest in the topic has led to an increased awareness of the facts involved in uranium production, nuclear power, and the regulation of the nuclear fuel cycle. This understanding has led to a growing awareness that nuclear power offers the main base-load energy source that does not contribute to carbon-fuelled climate change. The Arctic regions are already feeling the environmental and societal changes that are presented by a changing climate. In this context, Kvanefjeld's relevance is heightened, with uranium providing an efficient energy source free of carbon emissions, and rare earths being utilised in both efficient energy generation and usage.

Whilst uranium has largely been the political focus on Kvanefjeld, the potential for Kvanefjeld to become a major new supplier of rare earth elements has driven much of the commercial interest. Revenues from uranium have the potential to cover a significant portion of Kvanefjeld's operating costs, making for cost-competitive rare earth production; an attribute that differentiates Kvanefjeld from other emerging projects slated to have significant rare earth production.

With a growing awareness that the northern Ilimaussaq Complex is host to one of the most significant resources of both rare earth elements and uranium globally, Greenland's decision to repeal the zero-tolerance policy could ultimately influence the global supply of these important elements for many decades.

Review of Operations (continued)

The Next Steps

With the zero-tolerance policy removed, Greenland and Denmark are now progressing toward the establishment of a cooperation agreement to map out the responsibilities required to effectively regulate uranium production. In early January, the Danish Prime Minister outlined that both parties were aiming to have the cooperation agreement in place in 2014. In early February, a delegation of Greenlandic officials conducted another fact-finding visit, this time to Australia where they visited Olympic Dam, the rehabilitated uranium mine Mary Kathleen (Queensland), and the Australian Nuclear Science and Technology Organisation (ANSTO) in Sydney. While there remains further work to ensure all regulations are in place, Greenland has indicated a desire to be positioned to grant exploitation licenses for projects that include radioactive materials in 2016.

These developments bring increased clarity to the forward timeline for the Kvanefjeld project, which has been otherwise hindered whilst the zero-tolerance policy remained. In parallel to the establishment of regulations, GMEL can now work to finalise an exploitation license application. This involves finalising the development strategy in close consultation with Greenland stakeholders, with the key decision being whether refining of mineral concentrates takes place in Greenland, or offshore. The Company will then work to complete the environmental and social impact assessments, which build on many years of extensive data generation for the base lines studies. Subject to financing, the Company is aiming to be in a position to lodge an exploitation license application in early 2015, and Greenland should be positioned to award an exploitation license in 2016.

Figure 3. GME has looked to support community initiatives in south Greenland, and has worked to ensure local participation and employment opportunities.



Project Developments in 2013

Technical work programs continued to advance the Kvanefjeld project through 2013, and served to progress the de-risking of the project, and build confidence in the advantageous process flow sheet. In May, 2012 GMEL released a prefeasibility study on the Kvanefjeld rare earth – uranium project. The prefeasibility study (PFS) was based upon substantial test work and technical studies, and involved a rigorous flow-sheet selection process to determine the optimal means of treating Kvanefjeld ores. The PFS outcomes indicated the clear potential for Kvanefjeld to be developed as a long-life, cost-competitive producer of rare earth concentrates and uranium oxide.

Since the release of the Kvanefjeld PFS, further technical advances were made that served to improve the PFS outcomes significantly. A PFS update was released in August 2012 outlining simplifications to the proposed processing circuit that result in a reduction in capital costs, and a 27% increase in the output of rare earth concentrate. The substantial increase in rare earth recovery and output drove the Company to evaluate a smaller start-up capacity for Kvanefjeld than the 7.2 Mt capacity evaluated in the PFS. A reduction in the initial rare earth production capacity would reduce the market risk brought about by the material improvements in rare earth recovery, and also serves to significantly reduce the capital costs of project development.

For these reasons, the Company looked to a staged development strategy with an initial mine-throughput of 3Mtpa, expanding to 6Mtpa. This provides a low-risk path to ultimately reach a large-scale production capacity.

Test work for the concentrator circuit was completed in late-2012, with the second of two highly successful pilot plant operations. An updated study was then released in March 2013 (the Mine and Concentrator Study), that captured the technical advances to the beneficiation circuit, and the initial 3Mtpa start-up capacity. With a high degree of confidence in the ability to produce a low-mass, high-grade mineral concentrate, the Company commenced assessing the potential to export the mineral concentrate from Greenland, for processing offshore. There are many points to consider in the assessment of this scenario. Through 2013 workshops were held with representatives of Greenland's government and regulatory bodies, the outcomes of which indicated a general position to see as much processing take place in Greenland as possible. Ultimately, the Company is looking to firm-up the best scenario over the longer term, and the optimal outcome for Greenland stakeholders.

Figure 4. Pilot plant operation of the Kvanefjeld concentrator circuit proved to be highly successful, and came as a precursor to the completion of the Mine and Concentrator Study, released in 2013.



Review of Operations (continued)

Advances to the Refinery Circuit

An effective hydrometallurgical process route has been developed for the treatment of the rare earth- and uranium-rich mineral concentrates generated via froth flotation. The refinery circuit utilises simple equipment and elegant chemistry, with scaled-up test work in 2013 demonstrating the production of a high purity rare earth intermediate product.

The refinery flow sheet utilises a sulphuric acid leach that achieves high extraction levels of both uranium and rare earth elements from the RE and uranium-rich minerals; in particular the heavy REEs. The uranium is stable in solution in the leach liquor, whereas the rare earths react to form solid REE salts that remain with the leach residue. This creates a very effective break between the uranium recovery, and further treatment steps to generate a clean, high purity rare earth product.

In Q3, 2013 a full flow sheet laboratory test run on the Kvanefjeld mineral concentrate produced 1.1 kg's of a high-purity mixed rare earth carbonate.

The rare earth intermediate product is a chemical precipitate formed by the addition of sodium carbonate to a purified rare earth chloride stream. This produces a mixed rare earth carbonate intermediate product. It is low in impurities and contains >95% rare earth oxide (REO) after calcination. The rare earth carbonate product has a favourable REO distribution with 14.75% of the contained rare earths being the more valuable heavy RE elements (see Table 1). The concentrate also contains a significant quantity of the major light RE magnet components in praseodymium and neodymium.

Low levels of calcium (1.26%), aluminium (0.12%) and silica (0.5%) were the most significant impurities. Very low levels of uranium (11 ppm), lead (1.4 ppm) and thorium (2.5 ppm) were measured in the sample by tests conducted by ANSTO, which reveals how well these radionuclides were controlled by the impurity removal processes.

A subsequent program involved a 100 hour weak acid leach test on 20 kg's of mineral concentrate. This aimed to ensure that silica could be effectively managed through the weak acid leach as the key ore minerals at Kvanefjeld are phospho-silicate minerals. The management of silica in the leach process remains a challenge for many proposed REE producing operations that are dealing with silicate minerals; most of which involve significantly lower-grade minerals than steenstrupine; the dominant REE and uranium bearing mineral at Kvanefjeld. Importantly, the 100 hour leach test has confirmed that silica can be effectively managed throughout the leach process on the REE-uranium mineral concentrates from Kvanefjeld.

The testwork program also demonstrated that high extractions of REEs and uranium can be readily achieved with the weak acid leaching stage only, owing to the non-refractory nature of the value minerals. A pregnant leach solution containing uranium can be produced which is free of solids providing a suitable feed to uranium solvent extraction. This is achieved using an optimised combination of flocculating chemicals and standard thickeners.

The highly successful test work programs on the leach circuit through 2013 served to confirm the effectiveness of the Kvanefjeld refining process in producing a high quality product, with an excellent distribution of the important, or critical, REE's. All process steps in the refining stage have now been tested at small continuous scale. The process engineering for the refinery is well advanced with key process design documents completed. The unique non-refractory nature of the Kvanefjeld ore minerals allows for simple, atmospheric acid leach circuits, without the complex high-temperature acid bake or caustic cracking processes that are required in many RE operations.

Kvanefjeld is now emerging from peer projects, on the basis of the systematic development of an effective process flowsheet. In contrast, numerous other companies that are pursuing RE production continue to reassess their processing options, which can be partly attributed to complex, highly-refractory styles of mineralisation.

Table 1. Distribution of rare earth elements in the intermediate rare earth carbonate produced from Greenland's Kvanefjeld project. The product contains a favourable distribution of the important heavy REO's (Eu – Y).

Element	% REO Distribution	
La	27.19	
Ce	37.15	
Pr	4.57	
Nd	13.42	
Sm	2.92	
Eu	0.20	14.75% HREO Distribution
Gd	1.76	
Tb	0.31	
Dy	1.36	
Ho	0.23	
Er	0.60	
Tm	0.07	
Yb	0.30	
Lu	0.02	
Y	9.89	

2013 Field Work in Greenland

GMEL has been conducting extensive environmental baseline studies in the Kvanefjeld project area for several years, as a basis to evaluate the potential environmental impacts of a mining operation. The baseline studies provide an indication of the natural chemistry of the broader project area, and the background concentrations of many chemical elements in soil, water, dust and biological matter. The Ilimaussaq Alkaline Complex is the geological entity that hosts defined mineral resources, and is renowned for its unusual minerals and chemistry. Rocks of the Ilimaussaq Complex are actively eroded into the Narsaq valley and surrounding areas, resulting in naturally elevated levels of many trace elements in the surrounding environment. Such an environment

is therefore well-suited for mining and the establishment of processing infrastructure.

The environmental baseline studies have been conducted in conjunction with Orbicon, GMEL's primary environmental consultant. In 2013 a botanical survey was completed and marine biota along the fjord at the base of the Narsaq valley were sampled for analysis of ecotoxicological and radioactive components. Freshwater and stream sediment sampling stations were revisited to build on data gathered in previous years, with samples also to be analysed for ecotoxicology and radioactivity. Terrestrial sampling stations were also revisited with samples of both soils and lichens collected.



Figure 5. An overview of the Narsaq Peninsula, south Greenland, and the broader Kvanefjeld project area. Infrastructure to support the proposed mining operation would mostly be located within the Narsaq valley. The Ilimaussaq Complex is comprised of extremely alkaline and unusual rock types that have been actively eroded into the surrounding environment. JORC-code compliant mineral resources have been established at Kvanefjeld, Sørensen and Zone 3. Mining is proposed to commence at the Kvanefjeld deposit which is conducive to simple open-pit mining methods.

Review of Operations (continued)

Background Radiation Monitoring

Comprehensive background radiation monitoring was also undertaken in the broader project area along with the town of Narsaq, and builds on data gathered over several years.

Short term (several days) passive monitoring of radon and thoron was conducted and long term (three month) monitoring devices will be collected sequentially over the coming months. Water and soil samples were also collected for radionuclide analyses. High volume air samplers have recently been installed for the purpose of dust and air monitoring.

A gamma radiation survey was also conducted to repeat the surveys carried out in previous years. New additional points in the Narsaq valley were included to provide more detailed coverage from the town of Narsaq to where ore material outcrops on the Kvanefjeld plateau.

Geotechnical Mapping

Geological and geotechnical mapping programs were undertaken in areas that are currently being investigated as potential infrastructure sites. These programs set out to assess foundation conditions including rock and soil types, as well as identifying potential geohazards and areas that require further geotechnical drilling. The outcomes provide important information to support the selection of infrastructure locations.

Stakeholder Engagement Program

GMEL has maintained an active stakeholder engagement program in relation to the Kvanefjeld project since 2008. This has primarily focused on participating in community hall meetings in the main townships of south Greenland, which includes Narsaq, Qaqortoq, and Nanortalik. The aim of these meetings is to provide updates on the Kvanefjeld project and potential development scenarios, and importantly to identify the key areas of interest from the local populace. These forums provide the opportunity for local stakeholders to put forward questions, voice concerns and identify areas where they would like further information.

“ Large, outcropping ore bodies allow for simple, low cost, open pit mining. ”



In south Greenland, the majority of the populace live in the three major towns, however, a considerable proportion lives in settlements outside of these townships. GMEL personnel undertook a tour of these regional settlements in August to present overviews of the Kvanefjeld project, and to provide a forum in which people could put forward questions. The settlement tour was aimed to ensure that all local stakeholders in south Greenland are included in the ongoing dialogue surrounding the potential development of the Kvanefjeld project.

Eight settlements were visited where presentations were made and followed by informal discussions. The presentations focussed on the potential development scenarios for the Kvanefjeld project, and the work programs involved in the environmental and social impact assessments. The meetings were all well attended, with the most frequently asked questions focussed on employment opportunities, and the environmental and social impacts.

In early 2014, meetings were conducted with representatives of the key stakeholder groups including both the employees and employers unions, and the Mayor of South Greenland.

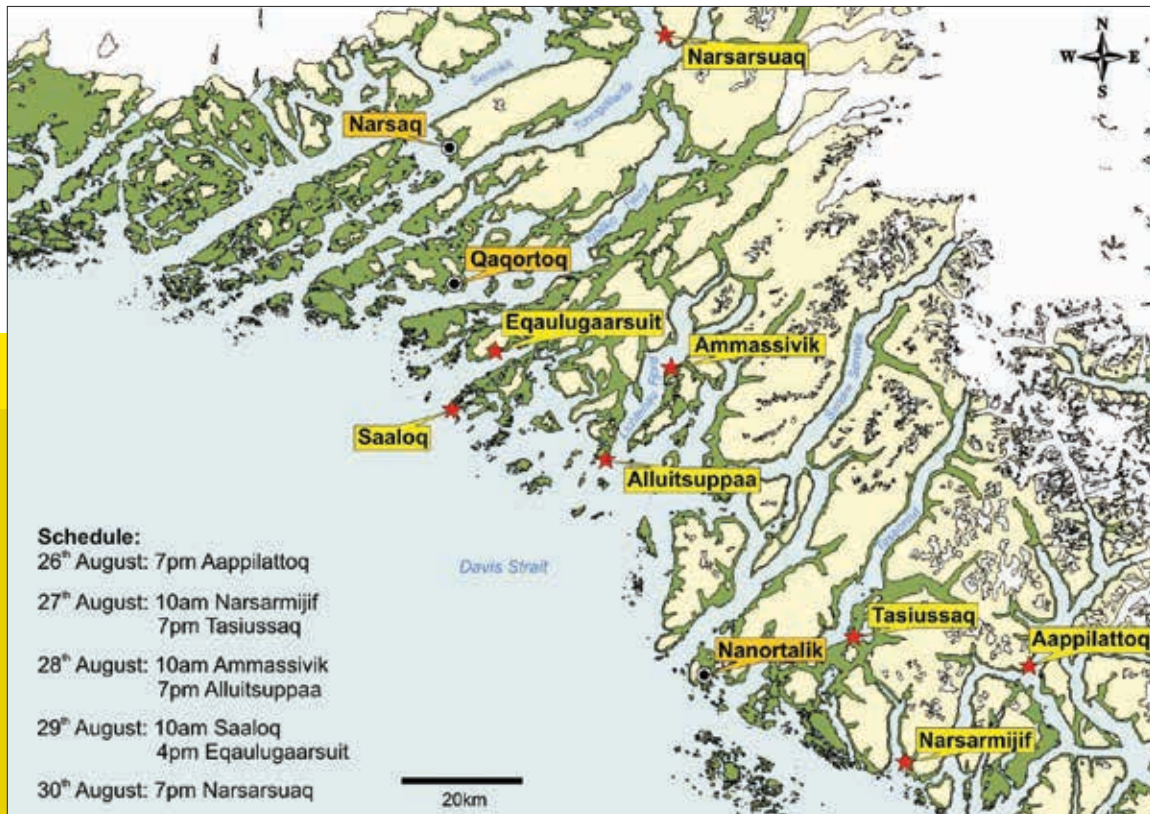


Figure 6. An overview of southern Greenland highlighting the three major towns of Qaqortoq, Narsaq and Nanortalik, and the communities visited on GMEL's settlement tour in August 2013. The Kvanefjeld project is located approximately 10km to the northeast of Narsaq. The exercise represented an important part of the Company's broader stakeholder engagement program, and ensures that efforts have been made to provide forums to discuss the Kvanefjeld project with the majority of the south Greenland populace.

Review of Operations (continued)

Update on the EURARE Project

The EURARE Project is an initiative backed by the European Union that aims to establish a rare earth element value creation chain in Europe. The second round of EURARE meetings since the Projects commencement took place on June 17th and 18th in Copenhagen. As announced on July 25th, GMEL has an important role in the EURARE Project through the provision of bulk sample material from Kvanefjeld, as well as managing a key work stream. The EURARE Project stands to be of great benefit and provides both direct and indirect funding, an excellent collective of technical expertise to collaborate with, and pilot plant facilities that will utilise Kvanefjeld sample material. A second meeting was held late in the year in Leuven, Belgium. The program continues to offer a great forum in which a diverse collective of high-level expertise can exchange ideas on the processing of rare earth ores.

2013 Summary

To conclude, 2013 will always be viewed as historical year for both Greenland's mining industry and GMEL. Whilst the removal of the zero-tolerance policy against the exploitation of radioactive minerals was undoubtedly the headline development, the Company was able to continue to make significant advances to the Kvanefjeld project. These advances included important technical developments on the refinery circuit that clearly demonstrate the ability to achieve high extraction levels for both REEs and uranium, and importantly manage all impurities throughout the process to ensure, clean, high purity products. The composition of the RE carbonate is particularly pleasing with 14.75% heavy RE, which along with significant neodymium and praseodymium, makes for a mix that correlates well with market demand and volumes. Continued environmental baseline studies on the Narsaq peninsula in the Kvanefjeld area ensure that a comprehensive baseline has been developed to effectively assess the impact of the proposed development scenarios. GMEL will continue its commitment to keep Greenland stakeholders up-to-date and take on board input toward Kvanefjeld's development through the active stakeholder engagement program.

Figure 7. *The collection of bulk sample material for ongoing metallurgical testwork on the Kvanefjeld project. Ore extracted from the historic adit provides excellent material for scaled-up testwork and pilot plant operations.*



“ Finally, the Company would like to acknowledge shareholders that have made possible the progression of the Kvanefjeld project from a concept in 2007, to what is now recognised globally as quality emerging mining project of strategic significance. ”

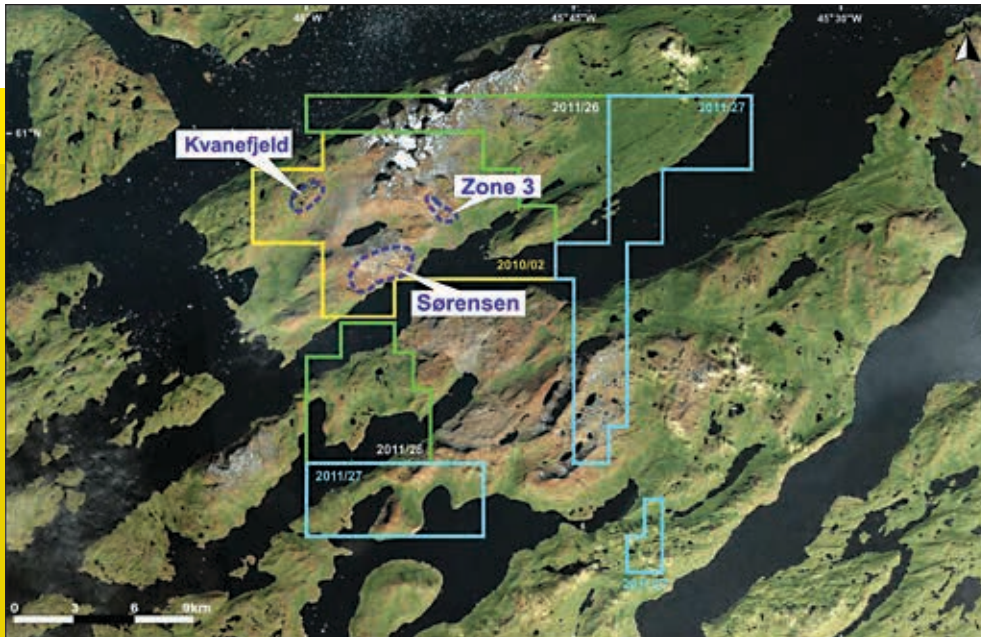


Figure 8. Exploration licenses held by Greenland Minerals and Energy over the northern Ilimaussaq Complex, and surrounding areas. JORC-code compliant mineral resource estimates have been established at Kvanefjeld, Sørensen and Zone 3.

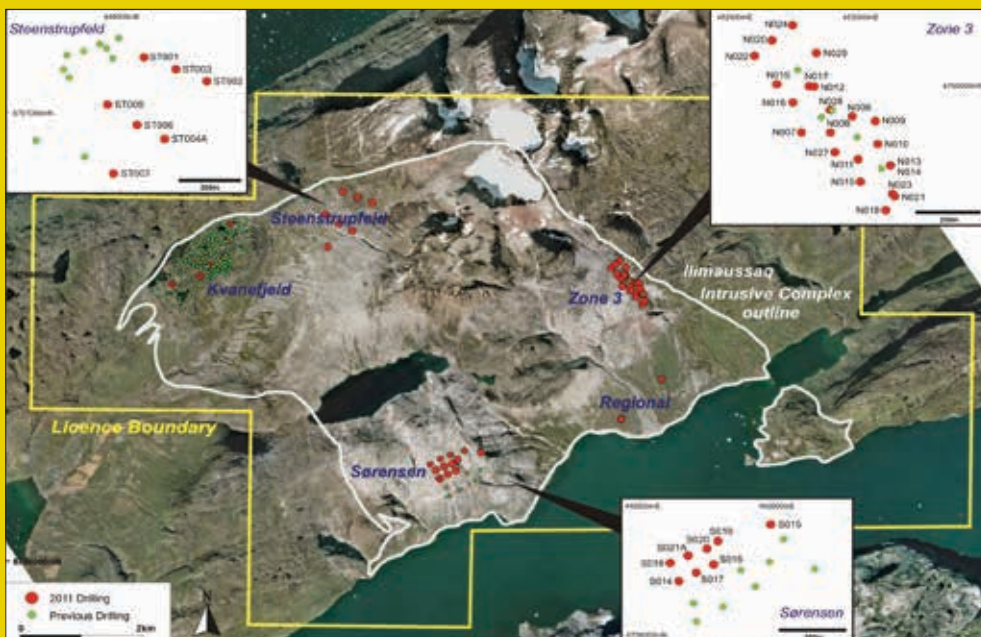


Figure 9. Exploration license 2010/02 covers the northern Ilimaussaq Complex that is host to REE-U resources. Drilling to date has only evaluated a small part of the prospective area.

Table of Identified Mineral Resources

Statement of Identified Mineral Resources, Kvanefjeld Multi-Element Project (Independently Prepared by SRK Consulting)

Multi-Element Resources Classification, Tonnage and Grade										Contained Metal				
Cut-off (U ₃ O ₈ ppm) ¹	Classification	M	TREO ²	U ₃ O ₈	LREO	HREO	REO	Y ₂ O ₃	Zn	TREO	HREO	Y ₂ O ₃	U ₃ O ₈	Zn
		tonnes												
		Mt	ppm	ppm	ppm	ppm	ppm	ppm	ppm	Mt	Mt	Mt	M lbs	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	2.84	0.10	0.24	178	0.55
250	Inferred	41	12204	324	10929	366	11319	886	2598	0.46	0.02	0.03	29	0.11
250	Grand Total	272	12395	347	10947	431	11378	1017	2398	3.33	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
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	TREO ²	U ₃ O ₈	LREO	HREO	REO	Y ₂ O ₃	Zn	TREO	HREO	Y ₂ O ₃	U ₃ O ₈	Zn
		tonnes												
		Mt	ppm	ppm	ppm	ppm	ppm	ppm	ppm	Mt	Mt	Mt	M lbs	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

¹ There 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.

² Total 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.

JORC Code Compliance – Consent of Competent Persons

The information in this report that relates to exploration targets, 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 Mr 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, Sørensen and Zone 3 deposits 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.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.



GREENLAND
MINERALS AND ENERGY LTD

ACN 118 463 004

“ ASX listed, Greenland-focussed
mineral explorer and developer. ”



2013

Greenland Minerals and Energy
Limited and Controlled Entities –
FINANCIAL REPORT
for the year ended 31 december 2013.

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 McIlfree.

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, Jeremy Whybrow is not an independent non-executive director.

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 McIlfree 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 that the Company is not of a 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 role includes 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, the policy can be viewed on the Company's website. 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.

CORPORATE GOVERNANCE

As a result of the developing nature of the project and associated works program, there has been a reduction in staff numbers across the Consolidated Group. Decisions regarding the retaining of staff were based solely on the skills required for the project development and future work programs and not on an individual's age, gender or background.

At 31 December 2013 there were 18 employees including directors in the Consolidated Group and 28% of these employees were women. This compares to 31 December 2012, when there were 28 employees including directors, of which 32% were women.

The positions held by women in the Consolidated Group at 31 December 2013 include one senior corporate position 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).

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 are in place to verify and safeguard the integrity of the Company's financial reporting, which is overseen by the Audit and Risk Committee.

The Company's financial statements are reviewed or audited, 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 formalised 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.

CORPORATE GOVERNANCE

Shareholders generally participate in shareholder meetings, in person or 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.

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, as well as stock options and rights issues.

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 2013, pursuant to 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
Anthony Ho, Non-Executive Director
Jeremy Sean Whybrow, Non-Executive Director

Chief Financial Officer/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 17 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. Specifically the continued evaluation of the Consolidated Group's Kvanefjeld project, located in Southern Greenland.

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

Operating Results

The net loss after providing for income tax amounted to \$8,768,670 (2012: loss \$17,344,249)

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

In March 2014 the Consolidated Group entered a non-binding Memorandum of Understanding ("MoU") with China Non-Ferrous Metal Industry's Foreign Engineering and Construction Co Limited ("NFC"). The MoU sets out a framework for both parties to cooperate in aligning the rare earth concentrates from the Consolidated Group's Kvanefjeld project, with NFC's substantial rare earth separation experience and capacity.

Please refer to the Company announcement released to the ASX on 24 March 2014.

Other than the matter above, there have been no matters or circumstances 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.

DIRECTORS' REPORT

Future Developments

The Consolidated Group will continue to evaluate the Kvanefjeld project and the development alternatives for the project, as referred to elsewhere in this report, particularly in the Review of Operations on pages 7 to 9.

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 2013, 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 2012.

Shares

During the year ended 31 December 2013, the following ordinary shares of Greenland Minerals and Energy Limited were issued, as detailed in Note 16 to the financial report.

The total number of ordinary shares on issue at 31 December 2013 was 574,572,911 (31 December 2012: 567,937,409).

The total number of shares issued during the current financial year was 6,635,502.

There is no other class of shares issued by the Company and the Company has no un-issued shares, other than those registered to options and performance rights which are disclosed in the next section.

Details of shares issued during the year or shares issued 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/ fair value of shares	Amount unpaid on shares
Greenland Minerals and Energy limited	3,287,854	Ordinary shares	\$0.39	-
Greenland Minerals and Energy limited	750,000	Ordinary shares	\$0.25	-
Greenland Minerals and Energy limited	744,833	Ordinary shares	\$0.29	-
Greenland Minerals and Energy limited	897,344	Ordinary shares	\$0.37	-
Greenland Minerals and Energy limited	955,471	Ordinary shares	\$0.28	-

DIRECTORS' REPORT

Options and performance rights

During the year ended 31 December 2013 the number of options and performance rights of Greenland Minerals and Energy Limited that were issued are detailed in Note 24 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/employee rights	Class of shares	Exercise price of option	Expiry date of option
Greenland Minerals and Energy Limited (i)	-	12,000,000	Ordinary shares	NA	15 May 2014
Greenland Minerals and Energy Limited (i)	-	9,685,500	Ordinary shares	NA	4 October 2016
Greenland Minerals and Energy Limited (ii)	4,999,520	-	Ordinary shares	\$0.75	15 October 2014
Greenland Minerals and Energy Limited (ii)	25,769,191	-	Ordinary shares	\$0.60	5 October 2014

- (i) 12,000,000 employee rights were issued in the current year and 1,000,000 performance rights were issued in the previous financial year. In addition 4,860,000 performance rights issued in a previous financial year and were cancelled in the current year.
- (ii) Options were issued in a previous financial year and remain outstanding at 31 December 2013.

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's principal activity is a mineral exploration and project evaluation in southern Greenland. The Company is primarily focused on advancing the 100% owned Kvanefjeld multi-element project (*both light and heavy rare earth elements, uranium, and zinc*) through the feasibility and permitting phase and into mine development.

The Kvanefjeld project is centred on the northern Ilimaussaq Intrusive Complex in southern Greenland. The project includes several large scale multi-element deposits including Kvanefjeld, Sørensen and Zone 3. The deposits are characterised by thick, persistent mineralisation hosted within sub-horizontal lenses that can exceed 100m in true thickness. Highest grades generally occur in the uppermost portions of deposits, with overall low waste-ore ratios.

While the resources are extensive, a key advantage to the Kvanefjeld project is the unique rare earth and uranium-bearing minerals. These minerals can be effectively beneficiated into a low-mass, high value concentrate, then leached with conventional acidic solutions under atmospheric conditions to achieve particularly high extraction levels of both heavy rare earths and uranium. This contrasts to the highly refractory minerals that are common in many rare earth deposits.

DIRECTORS' REPORT

Review of operations (cont'd)

The Kvanefjeld project area is located adjacent to deep-water fjords that allow for shipping access directly to the project area, year round. An international airport is located 35km away, and a nearby lake system has been positively evaluated for hydroelectric power.

The Consolidated Group released a feasibility-level study for the mine and concentrator circuit in 2013. Ongoing feasibility studies are focussed on the refinery circuit that has been evaluated up to stage of pilot plant operation. The study outcomes have been positive and reiterate the potential for Kvanefjeld to become one of the largest rare earth producing mines globally, occupying a dominant position at the low end of the future production cost-curve. A large heavy REE output and significant uranium output differentiate Kvanefjeld from many other emerging RE projects.

Rare earth elements (REEs) are now recognised as being critical to the global manufacturing base of many emerging consumer items and green technologies. Uranium forms an important part of the global base-load energy supply, with demand set to grow in coming years as developing nations expand their energy capacity.

A detailed report on the Consolidated Group's activities and project achievements will be included in the Annual Report.

Key highlights for the Consolidated Group during the financial year included:

- In late October Greenland's parliament voted in favour of removing a long-standing zero-tolerance policy against the exploitation of radioactive materials. This landmark decision places Greenland on the path to uranium-producer status, and thereby opens up coincident resources of rare earth elements to exploitation. The parliamentary decision received broad coverage in the international press, and sent a strong message that Greenland is prepared to make the important decisions that are required to advance the quest of establishing a minerals industry.
- Technical work programs continued to advance the Kvanefjeld project through 2013, and served to progress the de-risking of the project, and build confidence in the advantageous process flow sheet.
- Test work for the concentrator circuit was completed in late-2012, with the second of two highly successful pilot plant operations. An updated study was then released in March 2013 (the Mine and Concentrator Study), that captured the technical advances to the beneficiation circuit, and the initial 3Mtpa start-up capacity. With a high degree of confidence in the ability to produce a low-mass, high-grade mineral concentrate, the Consolidated Group commenced assessing the potential to export the mineral concentrate from Greenland, for processing offshore.
- An effective hydrometallurgical process route has been developed for the treatment of the rare earth- and uranium-rich mineral concentrates generated via froth flotation. The refinery circuit utilises simple equipment and elegant chemistry, with scaled-up test work in 2013 demonstrating the production of a high purity rare earth intermediate product.
- The Consolidated Group has been conducting extensive environmental baseline studies in the Kvanefjeld project area for several years, as a basis to evaluate the potential environmental impacts of a mining operation. The baseline studies provide an indication of the natural chemistry of the broader project area, and the background concentrations of many chemical elements in soil, water, dust and biological matter.

DIRECTORS' REPORT

Review of operations (cont'd)

- Comprehensive background radiation monitoring was also undertaken in the broader project area along with the town of Narsaq, and builds on data gathered over several years.
- The Consolidated Group has maintained an active stakeholder engagement program in relation to the Kvanefjeld project since 2008. This has primarily focussed on participating in community hall meetings in the main townships of south Greenland, which includes Narsaq, Qaqortoq, and Nanortalik. The aim of these meetings is to provide updates on the Kvanefjeld project and potential development scenarios, and importantly to identify the key areas of interest from the local populace. These forums provide the opportunity for local stakeholders to put forward questions, voice concerns and identify areas where they would like further information.

The Consolidated Group's strategy for future financial years includes:

- The continued evaluation of development alternatives for the Kvanefjeld project, including the potential engagement of strategic partners.
- Continue to prudently control cash flow and implement operational and project cost reductions where possible.
- Retain key staff vital to the future development of the project.
- Maintain an open dialogue with the Greenland Government, communities and other stakeholder groups.
- Continue to evaluate the project to ensure the future development is carried out in a manner that will ensure the enhancement of value to shareholders and other stakeholders.

Financial Position

The net assets of the Consolidated Group were \$71,230,107 as at 31 December 2013 (2012: \$64,991,703).

The information in this report that relates to exploration targets, 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 Mr 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, Sorensen and Zone 3 deposits 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.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

DIRECTORS' REPORT

Information on Directors

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 was previously 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.

Interest in shares, options and performance rights

210,638 Ordinary shares
1,400,000 Unvested performance rights

Directorships held in other listed entities

Non-executive chairman – Noricum Gold Limited – since November 2013
Non-executive director - Mecom Plc – since April 2009

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

Nil

Roderick McIlree - Managing Director – Appointed 23 March 2007

Qualifications

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

Experience

Mr McIlree is a corporate geologist. A graduate of Curtin University School of Mines he has global experience from grassroots discovery through mine finance and production. This broad base of experience both in capital markets and the global minerals space provides the platform necessary to implement operations in remote and difficult locations. He was an active and early member of a number of successful mining ventures including Medusa Mining (Philippines), Anvil Mining (Congo) and Kingsrose Mining Ltd (Sumatra) where he was involved in the process of de-risking mining operations in frontier jurisdictions.

Roderick was a founding Director of Greenland Minerals and Energy Ltd and identified and executed the Greenland opportunity with the acquisition of Kvanefjeld in 2007 being the result.

DIRECTORS' REPORT

Information on Director (cont'd)

Roderick McIlree (cont'd)

Interest in shares, options and performance rights

13,346,956 Ordinary Shares

2,700,000 Unvested performance rights

Directorships held in other listed entities

Non-executive Director – Noricum Gold Limited – 11 April 2012

Other board positions held in the last 3 years

Convergent Minerals Limited – July 2006, Resigned 19 Dec 2011

Simon Cato - Executive Director – Appointed 21 February 2006

Qualifications

B.A. (USYD)

Experience

Mr Simon Cato has had over 30 years capital markets experience in broking, regulatory roles and as director of listed companies. He initially was employed by the ASX in Sydney and then in Perth.

From 1991 until 2006 he was an executive director and/or responsible executive of three 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 was also involved in the underwriting of a number of IPO's and has been through the process of IPO listing in the 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

4,762,198 Ordinary shares

600,000 Unvested performance rights

Other board positions held

Chairman - Advanced Share Registry Limited - since August 2007.

Positions held in the last 3 Years

Queste Communications Limited – February 2008 to 3 April 2013

Transaction Solutions International Limited – February 2010 to 30 September 2013

Convergent Minerals Limited - July 2006 to 19 December 2011

DIRECTORS' REPORT

Information on Directors (cont'd)

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.

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

5,564,166 Ordinary Shares

2,100,000 Unvested performance rights

Other board positions held

Nil

DIRECTORS' REPORT

Information on Directors (cont'd)

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, FGIA

Experience

Mr Tony Ho is an experienced company director having held executive directorships 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 the Institute of Chartered Secretaries, Governance Institute of Australia and the Australian Institute of Company Directors.

Interest in shares & options

550,000 Ordinary Shares
1,600,000 Unvested performance rights

Other board positions held

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 Chairman – Bioxyne Limited – November 2012

Board positions held in the last 3 years

Non-executive Chairman – Metal Bank Limited, October 2011 to August 2013
Non-executive director - DoloMatrix International Limited, April 2007 – August 2012

DIRECTORS' REPORT

Information on Directors (cont'd)

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, Executive director

Positions held in the last 3 Years

Convergent Minerals Limited. – January 2006 to 19 December 2011

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 2013.

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
Simon Kenneth Cato, Executive Director
John Mair, Executive Director
Anthony Ho, Non-Executive Director
Jeremy Sean Whybrow, Non-Executive Director

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

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 meeting service period requirements and share price vesting hurdles. It is the Board's opinion that significant project advancements would be required for the share price vesting hurdles to be met and therefore increasing value to all stakeholders. 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 receive 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 9.25% 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 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.

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.

Remuneration –Cash payment

Cash payments is the recognition of short term remuneration and the provision for long term remuneration that has or will be settled in cash payments.

Remuneration – Share based payments

Share based payments is the recognition of shares that have been issued and are to be issued to directors and senior management as compensation for the directors and senior management agreeing to a reduction in salaries and other employment entitlements that would have otherwise been payable in cash.

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

The share based payments are also the recognition of long term remuneration that does not provide a present value to the directors and senior management. The value of the long term remuneration has been realised over the service vesting period and are subject to the satisfying of vesting and other conditions.

At 31 December 2013, all of the outstanding performance rights remained un-vested as the share price vesting conditions had not been satisfied. The performance options expired on 31 August 2013 being the expiry date of the options and as a result of the share price vesting conditions not being satisfied by the expiry date.

Short term incentives

The Consolidated Group does not have a short term incentive scheme that is in addition to the short term employee benefits. The Consolidated Group considers that short term incentive schemes would not be consistent with shareholder value at the Consolidated Group's current stage of development.

Details of Remuneration

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

Remuneration – Cash payments

Year ended 31 Dec 2013	Short term employee benefits			Post- employment	Long-term Remuneration Provision for long service leave	TOTAL REMUNERATION PAID OR PAYABLE IN CASH
	Salary/ consultancy fees	Director fees	Allowances	Super- annuation		
	\$	\$		\$	\$	\$
Executive Directors						
Roderick McIlree	238,750	-	86,612(i)	11,812	(18,668) (ii)	318,506
Simon Cato	52,916	-	-	4,866	(11,084) (ii)	46,698
John Mair	235,417	-	-	21,469	-	256,886
Non-executive Directors						
Anthony Ho	-	50,000	-	4,500	-	54,500
Michael Hutchinson	-	139,317	-	-	-	139,317
Jeremy Whybrow	59,583	45,000	-	1,875	-	106,458
Senior Management						
Shaun Bunn	242,167	-	-	14,719	-	256,886
Miles Guy	181,667	-	-	16,575	-	198,242
TOTAL	1,010,500	234,317	86,612	75,816	(29,752)	1,377,493

- (i) Allowance for the payment of expenses related to R McIlree relocating to the UK.
- (ii) A reduction in salaries has resulted in a lower salary base for the calculation of long service leave and other statutory entitlements. This has resulted in a reduction in the provision for long service leave recognised in prior years.

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

Remuneration – Share based payments at fair value

	Shares in lieu of salary	Long term remuneration		Total share based payments	TOTAL REMUNERATION	% Consisting of share based payments
	Shares (i)	Rights (ii)	Options (iii)			
Year ended						
31 Dec 2013	\$	\$	\$	\$	\$	
Executive Directors						
Roderick McIlree	453,044	206,302	121,852	781,198	1,099,704	71%
Simon Cato	-	24,610	-	24,610	71,308	34%
John Mair	198,703	160,457	91,674	450,834	707,720	64%
Non-executive Directors						
Anthony Ho	-	188,545	-	188,545	243,045	77%
Michael Hutchinson	123,228	60,357	-	183,585	322,902	57%
Jeremy Whybrow	-	42,831	-	42,831	149,289	29%
Senior Management						
Shaun Bunn	609,578	249,182	91,674	950,434	1,207,320	79%
Miles Guy	217,444	65,567	-	283,011	481,253	59%
TOTAL	1,601,997	997,851	305,200	2,905,048	4,282,541	68%

- (i) Shares were issued to directors and senior management as compensation for the directors and senior management agreeing to a reduction in salary and other employment entitlements that would have otherwise been payable in cash. The shares are to be issued in up to four tranches over a two year period, the values stated above represent the fair value of all four tranches granted in the current year. This includes the tranches where shares were issued in the current year as well as a proportion of the value of tranches that will vest during the year ended 31 December 2014. This vesting profile results in 79% of the total fair value of the four tranches being recognised in the current year. Refer to note 24 for further details.
- (ii) All rights are Long Term Incentives that are subject to service period and share price vesting conditions which are detailed further in note 24 to the financial statements. The rights do not vest into fully paid shares unless the vesting conditions are satisfied. At 31 December 2013 all rights remain unvested and as a result the rights represent no immediate monetary value to the holder of the rights, at this date, with a monetary benefit only arising if the vesting conditions are satisfied prior to the expiry date. The above share based payment values are for reporting purposes only.
- (iii) All options are Long Term Incentives that are subject to service period and share price vesting conditions which are detailed further in note 24 to the financial statements. The options expired in August 2013 due to failing to satisfy market based (share-price) vesting conditions consequently this will result in no monetary value being realised by the holders of the options.
- (iv) The value of the options and rights granted to management personnel as part of their remuneration is calculated on the grant date using an appropriate pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the service vesting period.

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:

Remuneration – Cash payments

	Short term employee benefits			Post-employment	Long-term Remuneration Provision for long service leave	TOTAL REMUNERATION PAID OR PAYABLE IN CASH
	Salary/ consultancy fees	Director fees	Allowances	Super-annuation		
Year ended						
31 Dec 2012	\$	\$		\$	\$	\$
Executive Directors						
Roderick McIlree	520,000	-	-	46,800	43,752	610,552
Simon Cato	140,000	-	-	12,600	16,334	168,934
John Mair	350,000	-	-	31,500	-	381,500
Non-executive Directors						
Anthony Ho	42,025	50,000	-	4,500	-	96,525
Michael Hutchinson	-	150,323	-	-	-	150,323
Jeremy Whybrow	205,000	45,000	-	22,500	29,168	301,668
Senior Management						
Shaun Bunn	350,000	-	-	31,500	-	381,500
Miles Guy	200,000	-	-	18,000	-	218,000
TOTAL	1,807,025	245,323	-	167,400	89,254	2,309,002

Remuneration – Share based payments at fair value

	Shares in lieu of salary	Long term remuneration		Total share based payments	TOTAL REMUNERATION	% Consisting of share based payments
	Shares	Rights (i)	Options (ii)			
Year ended						
31 Dec 2012	\$	\$	\$	\$	\$	
Executive Directors						
Roderick McIlree	-	825,210	487,409	1,312,619	1,923,171	68%
Simon Cato	-	94,422	-	94,422	263,356	36%
John Mair	-	641,830	366,695	1,008,525	1,390,025	72%
Non-executive Directors						
Anthony Ho	-	402,417	-	402,417	498,942	80%
Michael Hutchinson	-	241,429	-	241,429	391,752	62%
Jeremy Whybrow	-	171,323	-	171,323	472,991	36%
Senior Management						
Shaun Bunn	-	641,830	366,695	1,008,525	1,390,025	72%
Miles Guy	-	59,469	-	59,469	277,469	21%
TOTAL	-	3,077,930	1,220,799	4,298,729	6,607,731	65%

- (i) All rights are Long Term Incentives that are subject to service period and share price vesting conditions which are detailed further in note 24 to the financial statements. The rights do not vest into fully paid shares unless the vesting conditions are satisfied. At 31 December 2012 all rights remain unvested and as a result the rights represent no immediate monetary value to the holder of the rights, at this date, with a monetary benefit only arising if the vesting conditions are satisfied prior to the expiry date.
- (ii) All options are Long Term Incentives that are subject to service period and share price vesting conditions which are detailed further in note 24 to the financial statements. At 31 December 2012 all options remain unvested and as a result the options represent no immediate monetary value to the holder of the options, at this date, with a monetary benefit only arising if the vesting conditions are satisfied prior to the expiry date.

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

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.

Shares in lieu of salaries

In February 2013 as part of a strategy to preserve cash reserves, directors, senior management and a number of other staff agreed to a reduction in salary and other employment entitlements that would have been payable by the Company in cash. As compensation for agreeing to these reductions, the Company agreed to issue shares to the individuals concerned. The number of shares to be issued was established by calculating the dollar value of foregone employment entitlements and issuing the equivalent value in shares based on a share price of \$0.30. The shares are to vest four tranches over a two year period except for Michael Hutchinson who will be issued shares over three tranches.

The shares that have been and are to be issued to directors were approved by shareholders at the Company's Annual General Meeting on 15 May 2013.

In accordance with AASB2, the value of the shares in lieu of salaries has been recognised as the fair value of the shares issued in the first two tranches during the year ended 31 December 2013 and a proportion of the fair value of the remaining two tranches to be issued in the year ended 31 December 2014. All four tranches require continuous service through to the respective vesting date. As a result of this vesting profile, 79% of the total fair value of the four tranches has been recognised at 31 December 2013, with the balance to be recognised during the year ended 31 December 2015.

The following shares were issued in the current year or will be issued in the year ended 31 December 2014 and have been issued in lieu of salaries and other employment entitlements.

Director/ senior management	Grant date	Number	Fair value @ grant date \$	Issue Date	Share value @date of issue \$
R McIlree					
Tranche 1	15/05/2013	517,750	150,147	15/05/2013	150,147
Tranche 2	15/05/2013	517,750	145,022	31/10/2013	155,325
Tranche 3	15/05/2013	517,750	145,073	30/04/2014	-
Tranche 4	15/05/2013	517,500	145,177	31/10/2014	-
Total		2,071,000	585,419		305,472
J Mair					
Tranche 1	15/05/2013	227,083	65,854	15/05/2013	65,854
Tranche 2	15/05/2013	227,083	63,609	31/10/2013	68,125
Tranche 3	15/05/2013	227,083	63,637	30/04/2014	-
Tranche 4	15/05/2013	227,083	63,665	31/10/2014	-
		908,333	256,765		133,979
M Hutchinson					
Tranche 1	15/05/2013	210,638	59,003	31/10/2013	63,191
Tranche 2	15/05/2013	210,637	59,028	30/04/2014	-
Tranche 3	15/05/2013	210,633	59,053	31/10/2014	-
		631,908	177,084		63,191

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

Director/ senior management	Grant date	Number	Fair value @ grant date \$ (i)	Issue Date	Share value @date of issue \$
S Bunn					
Tranche 1	25/02/2013	480,758	185,092	25/02/2013	185,092
Tranche 2	25/02/2013	485,586	182,192	30/09/2013	121,396
Tranche 3	25/02/2013	490,462	184,070	31/03/2014	-
Tranche 4	25/02/2013	495,387	185,968	30/09/2014	-
Total		1,952,193	737,322		306,488
M Guy					
Tranche 1	25/02/2013	171,492	66,024	25/02/2013	66,024
Tranche 2	25/02/2013	173,214	64,990	30/09/2013	43,303
Tranche 3	25/02/2013	174,954	65,660	31/03/2014	-
Tranche 4	25/02/2013	176,711	66,337	30/09/2014	-
		696,371	263,011		109,327

- (i) Fair value for shares issued or to be issued to directors has been based on the Company share price on 15 May 2013 and the Company shares price on 25 February 2013 for senior management, given that these tranches vested immediately on the grant date, with no future service conditions. The fair value has been established for the later tranches by applying a Black Scholes model and taking into account the future service period requirements (refer to note 24).

Employee rights plan

In September 2013 the Remuneration Committee and the Board approved the Employee Rights Plan ("ERP") and approved the issue of Employee Rights under the plan. All employees of the Consolidated Group were invited to participate in the ERP. The number of rights being offered to employees was determined by the seniority of the employee, with three levels of seniority being established and a factor based on the seniority being applied to the employee's base salary.

The Employee Rights will convert to Ordinary fully paid shares on subject to a twelve month continuous service period vesting condition and in three tranches subject to share price vesting conditions. The Employee Rights were offered to assist in retaining and to further incentivise employees.

In accepting the offer of the Employee Rights, employees agreed that the Employee Performance Rights issued in 2011 would be cancelled. At the time the Employee Performance Rights were cancelled the fair value of the cancelled rights had been fully expensed.

The Employee Rights were not offer to directors and no directors participated in the Employee Rights Issue.

The market based vesting hurdles are based on the Company's share price based on a 5 day Volume Weighted Average Price ("VWAP") as detailed in the following table.

Tranche	5 Day VWAP share price hurdle
Tranche 1	\$0.50
Tranche 2	\$0.75
Tranche 3	\$1.00

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

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 un-vested performance rights were issued to senior management during the current financial year.

Senior management	Grant date	Number	Fair value @ grant date \$	Expiry date	Vesting date
S Bunn					
Tranche 1	4/10/2013	700,000	151,410	30/09/2016	Refer above
Tranche 2	4/10/2013	700,000	119,770	30/09/2016	Refer above
Tranche 3	4/10/2013	700,000	96,810	30/09/2016	Refer above
Total		2,100,000	367,990		
M Guy					
Tranche 1	4/10/2013	400,000	86,520	30/09/2016	Refer above
Tranche 2	4/10/2013	400,000	68,440	30/09/2016	Refer above
Tranche 3	4/10/2013	400,000	55,320	30/09/2016	Refer above
		1,200,000	210,280		

- (i) Fair value at grant date has been calculated using a binominal model (refer to note 24) the value will be recognised in remuneration on a pro-rata basis over the service vesting period in accordance with Australian Accounting Standards.

Performance rights

On the 23 January 2012, shareholders approved the issue of 1,000,000 un-vested performance rights to Anthony Ho. These rights were issued to Mr Ho in recognition of the work and his valuable input in securing the settlement to acquire the remaining 39% interest in the Kvanefjeld project.

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. In addition Mr Ho was required to remain an employee of the Company until 30 June 2013. Upon satisfying the clearly pre-determined vesting conditions, each right issued will be convertible into one fully paid ordinary share of the Company.

Tranche	10 Day VWAP share price hurdle
Tranche 1	\$0.75
Tranche 2	\$1.00
Tranche 3	\$1.50

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.

No Performance Rights were issued during the year ended 31 December 2013.

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

The following un-vested performance rights were issued to Anthony Ho during the previous financial year.

Director/ senior management	Grant date	Number	Fair value @ grant date \$	Expiry date	Vesting date
A Ho					
Tranche 1	23/01/2012	500,000	242,000	15/05/2014	Refer above
Tranche 2	23/01/2012	250,000	114,500	15/05/2014	Refer above
Tranche 3	23/01/2012	250,000	103,500	15/05/2014	Refer above
Total		1,000,000	460,000		

- (ii) Fair value at grant date has been calculated using a binominal model (refer to note 24) the value will be recognised in remuneration on a pro-rata basis over the service vesting period in accordance with Australian Accounting Standards.

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. 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 cash 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. Details of these hurdles are included in the following table.

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.

There were no performance rights issued under the EPRP during the financial year ended 31 December 2013 or the previous year ended 31 December 2012.

At 31 December 2013, all of the Rights remained un-vested as the vesting conditions had not been satisfied.

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

Options exercised

The following options issued to directors and senior management, were exercised during the financial year ended 31 December 2013. Each options converts into one ordinary share of Greenland Minerals and Energy Limited:

	Date	Number Exercised (i)	Exercise Price	Share price @ exercise date	Amount Paid \$	Amount unpaid \$	Option value at date of exercise \$
S Bunn	28/03/2013	750,000	\$0.25	\$0.30	187,500	-	225,000

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

There were no options were exercised by directors of senior management during the year ended 31 December 2012.

Lapsed options

During the current financial year the following options issued to directors and senior management lapsed as a result of vesting conditions not being satisfied.

Director/senior management	Number	Value @ grant date	Lapse date	Value @ lapse date
R McIlree (i)	2,800,000	974,819	31/08/2013	-
J Mair (i)	2,100,000	733,390	31/08/2013	-
S Bunn (i)	2,100,000	733,390	31/08/2013	-

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

During the previous financial year no options issued to directors or senior management lapsed.

Rights cancelled

During the current financial year the following un-vested Employee Performance Rights were cancelled upon acceptance of participation in the Employee Rights Plan offered during the year.

Senior management	Number	Value @ grant date	Cancellation date	Value @ Cancellation date
S Bunn (i)	2,100,000	1,283,660	04/10/2013	-
M Guy (i)	350,000	118,938	04/10/2013	-

On the date the Employee performance Rights were cancelled, the service period vesting condition had been satisfied but the market price vesting conditions had not been met, therefore the rights were un-vested at the time of cancellation. The fair value of the cancelled rights had been fully expensed prior to the cancellation.

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

During the financial year, the following share-based payment arrangements were applicable;

Options series	Grant date	Expiry date	Grant date fair value \$	Vesting date
Performance rights	15/05/2011	15/05/2014	5,568,606	(i)
Performance options	15/05/2011	31/08/2013	2,441,599	(ii)
Employee options	21/10/2011	30/06/2013	261,587	21/10/2011
Performance rights	23/01/2012	15/05/2014	460,000	(iii)
Shares in lieu of salary (employees)	25/02/2013	-	1,000,333	(iv)
Share in lieu of salary (directors)	15/05/2013	-	1,019,268	(iv)
Employee Rights	04/10/2013	30/09/2016	578,270	(v)

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

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

- (ii) The performance options are subject to continued employment until 30 June 2013 and Company share price hurdles. The performance options will vest in 3 tranches subject to the Company Share price based on the volume weighted average price ('VWAP') exceeding the following price hurdles:

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.

- (iii) The performance rights are subject to continued employment until 30 June 2013 and Company share price hurdles. The performance rights will vest in 3 tranches subject to the Company share price based on the volume weighted average price ('VWAP') exceeding the following price hurdles:

Tranche	10 Day VWAP share price hurdle
Tranche 1	\$0.75
Tranche 2	\$1.00
Tranche 3	\$1.50

- (iv) The shares issued in lieu of salary will be issued in four tranches (three tranches in the case of M Hutchinson), the issue of the shares is subject to continued employment at the date of the tranche issue. If the director or employee resigns or their employment is terminated with cause prior to a tranche date, there will not be any entitlement to un-issued/vested tranches.

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

If the director or employee is terminated as a result of redundancy, all unissued tranches will be issued on the date of termination.

- (v) The employee rights are subject to a 1 year service period vesting requirement and Company share price hurdles. The performance rights will vest in 3 tranches subject to the Company share price based on the volume weighted average price ('VWAP') exceeding the following price hurdles:

Tranche	5 Day VWAP share price hurdle
Tranche 1	\$0.50
Tranche 2	\$0.75
Tranche 3	\$1.00

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 may 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 31 December to 31 December 2013 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 2013	12 Month period ended 31 Dec 2012	12 Month period ended 31 Dec 2011	12 Month period ended 31 Dec 2010	6 Month period ended 31 Dec 2009
Revenue	\$297,067	\$351,106	\$1,116,879	\$717,276	\$387,977
Net loss before and after tax	(\$8,768,670)	\$(17,344,250)	\$(14,209,550)	\$(7,163,998)	\$(3,823,380)
Share price at beginning of period	\$0.27	\$0.46	\$1.20	\$0.58	\$0.36
Share price at end of period	\$0.21	\$0.27	\$0.46	\$1.20	\$0.58
Dividend	-	-	-	-	-
Basic loss per share	\$0.02	\$0.04	\$0.04	\$0.03	\$0.02
Diluted loss per share	\$0.02	\$0.04	\$0.04	\$0.03	\$0.02

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

Key terms of employment contracts

Directors

Michael Hutchinson, Non-executive Chairman

- Director fee excluding superannuation of \$100,000 per annum reduced from £100,000 per annum on 1 July 2013.
- Entitled to shares equal in value to the reduction in director fees based on a \$0.30 share price.
- 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 of \$215,000 per annum and is paid monthly two weeks in advance and two weeks in arrears, reduced from \$500,000 per annum on 1 February 2013.
- Entitled to shares equal in value to the reduction in salary based on a \$0.30 share price.
- Superannuation at 9% is payable on the base salary up to 30 June 2013, there is no entitlement to superannuation post this date.
- Rental expenses while residing in the UK.
- Entitled to be reimbursed for all out of pocket expenses necessarily incurred in the performance of their duties including relating to travel, entertainment, meals and telephone.
- Either the Company or the director may terminate their engagement without cause by giving the other party twelve 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 26 hours per month subject to annual review.
- Base salary, of \$45,000 and is paid monthly two weeks in advance and two weeks in arrears.
- Superannuation at 9.25% 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 twelve 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, Executive Director

- Term and type of contract – service agreement subject to annual review.
- Base salary, of \$225,000 per annum and is paid monthly two weeks in advance and two weeks in arrears, reduced from \$350,000 on 1 February 2013.
- Entitled to shares equal in value to the reduction in salary based on a \$0.30 share price
- Superannuation at 9.25% 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.

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

John Mair, *Executive Director* (cont'd)

- Either the Company or the employee may terminate his engagement without cause by giving the other party twelve months written notice, there are no other specific payout clauses.
- Remuneration will be reviewed every 12 months or as otherwise agreed between the parties.

Anthony Ho, *Non-Executive Director*

- No fixed term.
- \$50,000 per annum.
- Superannuation at 9.25% 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
- 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 twelve months written notice, there are no other specific payout clauses.
- Remuneration will be reviewed every 12 months or as otherwise agreed between the parties.

Senior Management

Shaun Bunn, *Chief Operations Officer*

- Term and type of contract – service agreement subject to annual review.
- Base salary, of \$225,000 per annum and is paid monthly two weeks in advance and two weeks in arrears, reduced from \$350,000 on 1 February 2013.
- Entitled to shares equal in value to the reduction in salary and notice period, based on a \$0.30 share price.
- Superannuation at 9.25% 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, of \$180,000 per annum and is paid monthly two weeks in advance and two weeks in arrears, reduced from \$200,000 per annum on 1 February 2013.
- Entitled to shares equal in value to the reduction in salary and notice period, based on a \$0.30 share price.
- Superannuation at 9.25% is payable on the base salary.

DIRECTORS' REPORT

Remuneration Report – Audited (cont'd)

Miles Guy, *Chief Financial Officer and Company Secretary* (cont'd)

- 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 twelve months written notice, there are no other specific payout clauses. (Notice period has been reduced to 3 months from 1 Feb 2013)
- Remuneration will be reviewed every 12 months or as otherwise agreed between the parties.

Meetings of Directors

During the financial year, 15 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	15	15
R McIlree	15	15
S Cato	15	15
J Mair	15	15
A Ho	15	15
J Whybrow	15	15

Audit and Risk Committee

The audit and risk committee was convened at the Directors' Board Meeting on the 22 April 2009. The audit committee members are Anthony Ho (Chairman), Michael Hutchinson and Jeremy Whybrow. The audit and risk committee is to meet at least twice a year and must have a quorum of two members. There were 2 audit and risk committee meetings held during the current financial year, as follows:

Member	Audit Committee Meetings	
	Number of meetings eligible to attend	Number Attended
A Ho	2	2
M Hutchinson	2	1
J Whybrow	2	2

Remuneration Committee

The remuneration committee was convened at the Directors' Board Meeting on the 22 April 2009. The audit committee members are Michael Hutchinson (Chairman), Anthony Ho and Jeremy Whybrow. The remuneration committee meeting must have a quorum of two members. There were 2 remuneration committee meetings held during the current financial year, as follows:

Member	Audit Committee Meetings	
	Number of meetings eligible to attend	Number Attended
M Hutchinson	2	2
A Ho	2	2
J Whybrow	2	2

DIRECTORS' REPORT

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 30.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2013 has been received and is included on page 47 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

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

26 March 2014

Dear Board Members

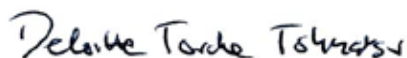
Greenland Minerals and Energy Limited

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 2013, 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



David Newman
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 2013, the statement of profit or loss and other 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 50 to 95.

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:

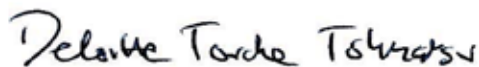
- (a) the financial report of Greenland Minerals and Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
 - (ii) 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 31 to 45 of the directors' report for the year ended 31 December 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



David Newman

Partner

Chartered Accountants

Perth, 26 March 2014

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



Roderick McIlree
Managing Director
Subiaco, 26 March 2014

**Consolidated statement of profit or loss and other comprehensive income
 for the year ended 31 December 2013**

	Note	Dec 2013 \$' 000	Dec 2012 \$' 000
Revenue from continuing operations	5	297	351
Expenditure			
Director and employee benefits	6(a)	(5,923)	(9,205)
Professional fees	6(b)	(523)	(1,224)
Occupancy expenses	6(c)	(405)	(409)
Listing costs	6(d)	(102)	(217)
Write-down of royalty acquisition	6(e)	-	(5,075)
Other expenses	6(f)	(2,113)	(1,565)
Loss before tax		(8,769)	(17,344)
Income tax expense	7	-	-
Loss for year		(8,769)	(17,344)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange difference arising on translation of foreign operations		9,893	1,450
Income tax relating to components of comprehensive income	7	-	-
Other comprehensive income for the year		9,893	1,450
Total comprehensive income for the year		1,124	(15,894)
Loss attributable to:			
Owners of the parent		(8,769)	(16,675)
Non-controlling interest		-	(669)
		(8,769)	(17,344)
Total comprehensive income attributable to:			
Owners of the parent		1,124	(15,247)
Non-controlling interest		-	(647)
		1,124	(15,894)
Basic loss per share – cents per share	20	1.53	3.72
Diluted loss per share – cents per share		1.53	3.72

Notes to the financial statements are included on pages 55 to 95.

**Consolidated statement of financial position
as at 31 December 2013**

	Note	Dec 2013 \$' 000	Dec 2012 \$' 000
Current Assets			
Cash and cash equivalents	8	5,343	10,801
Trade and other receivables	9	49	326
Other assets	10	275	311
Total Current Assets		5,667	11,438
Non-Current Assets			
Investments in associates		41	31
Property, plant and equipment	11	1,505	1,540
Capitalised exploration and evaluation expenditure	12	64,859	53,642
Total Non-Current Assets		66,405	55,213
Total Assets		72,072	66,651
Current Liabilities			
Trade and Other Payables	13	543	1,240
Other liabilities	14	125	-
Provisions	15	144	331
Total Current Liabilities		812	1,571
Non-Current Liabilities			
Provisions	15	30	89
Total Non-Current Liabilities		30	89
Total Liabilities		842	1,660
Net Assets		71,230	64,991
Equity			
Issued Capital	16	336,950	334,399
Reserves	17	(10,246)	(22,703)
Accumulated Losses	19	(255,474)	(246,705)
Total Equity		71,230	64,991

Notes to the financial statements are included on pages 55 to 95.

Consolidated statement of changes in equity for the year ended 31 December 2013

	Issued capital \$' 000	Option reserve \$' 000	Foreign currency translation reserve \$' 000	Non - controlling interest \$'000	Accumulated losses \$' 000	Attributable to equity holders of the parent \$' 000	Non- controlling interest \$' 000	Total \$' 000
Balance at 1 January 2012	291,826	14,997	(6,783)	(5,611)	(230,030)	64,399	(6,407)	57,992
Net loss for the year	-	-	-	-	(16,675)	(16,675)	(669)	(17,344)
Other Comprehensive income	-	-	1,428	-	-	1,428	22	1,450
Total comprehensive for the year	-	-	1,428	-	(16,675)	(15,247)	(647)	(15,894)
Issue of shares	-	-	-	-	-	-	-	-
net of transaction costs	15,046	812	-	-	-	15,858	-	15,858
Issue of shares for royalty acquisition	5,075	-	-	-	-	5,075	-	5,075
Issue of shares from Recognition of share based payments	753	6,208	-	-	-	6,961	-	6,961
Recognition acquisition of non-controlling interest	21,699	307	-	(34,061)	-	(12,055)	7,054	(5,001)
Balance at 31 December 2012	334,399	22,324	(5,355)	(39,672)	(246,705)	64,991	-	64,991
Balance at 1 January 2013	334,399	22,324	(5,355)	(39,672)	(246,705)	64,991	-	64,991
Net loss for the year	-	-	-	-	(8,769)	(8,769)	-	(8,769)
Other Comprehensive income	-	-	9,893	-	-	9,893	-	9,893
Total comprehensive for the year	-	-	9,893	-	(8,769)	1,124	-	1,124
Issue of shares from Recognition of share based payments	2,102	2,825	-	-	-	4,927	-	4,927
Issue of shares from option exercise	449	(261)	-	-	-	188	-	188
Balance at 31 December 2013	336,950	24,888	4,538	(39,672)	(255,474)	71,230	-	71,230

Notes to the financial statements are included on pages 55 to 95.

**Consolidated statement of cash flows
for the year ended 31 December 2013**

	Note	31 Dec 2013 \$' 000	31 Dec 2012 \$' 000
Cash flows from operating activities			
Receipts from customers		24	114
Payments to suppliers and employees		(4,156)	(5,890)
Net cash used in operating activities	23	(4,132)	(5,776)
Cash flows from investing activities			
Interest received		267	283
Payments for property, plant and equipment		(9)	(38)
Payments for exploration and development		(2,332)	(6,008)
Payment related to acquisition of non-controlling interest		-	(5,000)
Payment for investments		-	(245)
Payment for investments in associates		(10)	-
Proceeds from sale of property, plant and equipment		3	
Proceeds from sale of investments		1	133
Proceeds from sale of investments in associates		-	50
Proceeds from government grants and rebates		566	
Net cash used in investing activities		(1,514)	(10,825)
Cash flows from financing activities			
Proceeds from issue of shares/options		188	17,058
Payment for shares/options issue costs		-	(522)
Net cash from financing activities		188	16,536
Net decrease in cash and equivalents			
Cash and equivalents at the beginning of the financial year		10,801	10,866
Cash and equivalents at the end of the Financial year	8	5,343	10,801

Notes to the financial statements are included on pages 55 to 95.

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 Consolidated Group is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the directors on 26 March 2014.

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

The following Standards and Interpretations have been adopted in the current year:

- AASB 10 – Consolidated Financial Statements
- AASB 11 – Joint arrangements
- AASB 12 – Disclosure of interest in Other Entities
- AASB 127 – Separate Financial Statements (2011)
- AASB 128 – Investments in Associates and Joint Ventures (2011)
- AASB 13 – Fair value measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

Notes to the accounts

- 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 (2011)
- AASB 2011-4 – Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards
- AASB 2011-9 – Amendments to Australian Accounting Standards - Presentation of other comprehensive income
- AASB 2012-2 – Amendments to Australian Accounting Standards - Disclosures - Offsetting financial assets and financial liabilities (Amendments to AASB 7)
- AASB 2012-5 – Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The adoption of these standards did not result in changes in accounting policies or adjustments to the amounts recognised in the financial statements. The standards only affected disclosures in the notes to the financial statements.

Impact of the application of AASB 10

AASB 10 changes the definition of control such that an investor has control over an investee when a) it has power of the investee b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The application of AASB 10 has had no impact on the consolidated financial statements.

Impact of the application of AASB 11

AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e joint venturers) have rights to the net assets of the arrangement. Previously, AASB 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangement under AASB 31 was primarily determined based on the legal form of the arrangement.

The application of AASB 11 has had no impact on the consolidated financial statements.

Impact of the application of AASB 12

AASB 12 is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements but this has not had a material impact on the current year consolidated financial statements.

Impact of the application of AASB 13

The Consolidated Entity has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurement and disclosures about fair value measurements. The scope of AASB 13 is broad, the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASB require or permit fair value measurements and disclosures about fair value measurements, except share-based payment transactions that are within the scope of AASB 2, leasing transactions within the scope of AASB 17 and measurements that have some similarities to fair value but are not fair value.

Notes to the accounts

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. The application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 119

In the current year, the Consolidated Entity has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits.

The application of AASB 119 has had no impact on the consolidated financial statements.

Impact of the application of AASB 2012-2

The Consolidated Entity has applied the amendments to AASB 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As the Consolidated Entity does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

The Consolidated Entity 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 on issue but not yet effective:

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after
a) AASB 9 'Financial Instruments'(December 2009) and AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2017
b) AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 8 and Transition Disclosure' AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	
AASB 1031 'Materiality' (2013)	1 January 2014
ASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014
AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014
AASB 2013-4 'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014

Notes to the accounts

2. Significant accounting policies (cont'd)

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.

(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.

Notes to the accounts

2. Significant accounting policies (cont'd)

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.

(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 24.

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.

Notes to the accounts

2. Significant accounting policies (cont'd)

(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.

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.

Notes to the accounts

2. Significant accounting policies (cont'd)

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.

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.

Notes to the accounts

2. Significant accounting policies (cont'd)

(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.

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.

Notes to the accounts

2. Significant accounting policies (cont'd)

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.

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.

Notes to the accounts

2. Significant accounting policies (cont'd)

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.

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:

Notes to the accounts

3: Critical accounting estimates and judgments (cont'd)

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 2013, the carrying value of capitalised exploration expenditure is \$64,859,287 (2012: \$53,642,412) 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.

5: Revenue

	31 Dec 2013 \$' 000	31 Dec 2012 \$' 000
Interest - Bank deposits	256	274
Other revenue	41	77
	297	351

6: Expenditure

	31 Dec 2013 \$' 000	31 Dec 2012 \$' 000
(a) Director and employee benefits		
Directors' fees	(237)	(245)
Directors' and employee salary and wage expense	(1,218)	(2,594)
Directors' and employee post-employment benefits	(72)	(158)
Directors' and employee share based payments	(4,396)	(6,208)
	(5,923)	(9,205)

Notes to the accounts

6: Expenditure (cont'd)

	31 Dec 2013 \$' 000	31 Dec 2012 \$' 000
(b) Professional fees:		
Audit, accounting and taxation expense	(203)	(215)
Legal fees	(91)	(388)
Marketing and public relations	(166)	(276)
Consulting	(63)	(345)
	<u>(523)</u>	<u>(1,224)</u>
(c) Occupancy expense:		
Rent	(382)	(375)
Electricity	(23)	(34)
	<u>(405)</u>	<u>(409)</u>
(d) Listing costs:		
Stock exchange fees	(65)	(150)
Share registry fees	(37)	(67)
	<u>(102)</u>	<u>(217)</u>
(e) Write-down of royalty acquisition		
Write-down of royalty acquisition (i)	-	(5,075)
	<u>-</u>	<u>(5,075)</u>
(f) Other expenses		
Loss on disposal of investments	(15)	(75)
Changes in fair value of held for trading assets	-	(27)
Gain/(Loss) on foreign currency exchange	1	1
Impairment of capitalised exploration and evaluation expenditure	(871)	-
Depreciation expense	(188)	(232)
Insurance	(129)	(145)
Operating lease rental expenses	(5)	(10)
Travel expenses	(171)	(370)
Payroll tax	(69)	(195)
Printing, stationery and office costs	(27)	(58)
Telephone	(73)	(111)
Other expenses	(566)	(343)
	<u>(2,113)</u>	<u>(1,565)</u>

- (i) In October 2012 the Company finalised the acquisition of a royalty over future production from the Kvanefjeld project, through the issue of 17,500,000 shares, refer to note 16. The rights to this royalty were previously held by an external party. Any future payments under the royalty would have been a liability to the Consolidated Group and recognised as an expense in the relevant future period. The acquisition of the royalty has reduced the future potential costs to the Consolidated Group and hence satisfied the recognition criteria for intangible assets as per AASB 138 "Intangible assets". The royalty was assessed for recoverability at the date of acquisition with a write-down recognised based on the present stage of the development of the project. Therefore the value of the royalty acquisition has been recognised as an expense in the year ended 31 December 2012.

Notes to the accounts
7: Income tax

	31 Dec 2013 \$' 000	31 Dec 2012 \$' 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	(8,769)	(17,344)
Prima facie tax benefit on loss at 30%	(2,631)	(5,203)
add:		
Tax effect of:		
other non-allowable items	1,698	3,475
provisions and accruals	43	177
accrued income	9	11
revenue loss not recognised	1,981	4,283
	3,731	7,946
Less:		
Tax effect of:		
exploration, evaluation and development expenditure	(818)	(2,309)
provisions and accruals	(157)	(112)
capital expenditure write off	(120)	(319)
other deductions	(5)	(3)
	(1,100)	(2,743)
Income tax expense	-	-
The following deferred tax balances have not been recognised:		
Deferred tax assets:		
at 30%		
Carry forward revenue losses	26,056	24,075
Capital expenditure costs	706	1,064
	26,762	25,139
Less: offset against deferred tax liability	(11,665)	(10,849)
	15,097	14,290

The above deferred tax assets will only be recognised if;

- (i) The Consolidated Group derives future assessable income of a nature and amount sufficient to enable the benefits to be utilised,
- (ii) The Consolidated Group continues to comply with the conditions of deductibility imposed by law, and
- (iii) 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 2013 \$' 000	31 Dec 2012 \$' 000
Deferred tax liabilities (not recognised): at 30%		
Exploration, evaluation and development expenditure	11,656	10,838
Accrued income	9	11
	11,665	10,849
less offset against deferred tax assets	(11,665)	(10,849)
	-	-

8: Cash and equivalents

	Dec 2013 \$' 000	Dec 2012 \$' 000
Cash at bank	253	123
Cash on deposit at call	4,665	10,259
Cash on deposit	425	419
	5,343	10,801

The Consolidated Group's financial risk management objectives and policies are discussed further at note 25.

9: Trade and other receivables

	Dec 2013 \$' 000	Dec 2012 \$' 000
(a) Current		
Accrued interest	18	29
GST refundable	31	280
Payroll tax refund	-	17
	49	326

- (i) Trade debtors and sundry debtors are non-interest bearing, unsecured and generally on 30 day terms. As at 31 December 2013 and 31 December 2012 no amounts were past due but not impaired. Additionally there was no allowance for doubtful debts at either 31 December 2013 or 31 December 2012.

Notes to the accounts
10: Other assets

	Dec 2013 \$' 000	Dec 2012 \$' 000
Deposit bonds	96	103
Prepayments	179	193
Investments carried at fair value:		
Shares in listed companies – fair value (i)	-	15
	275	311

- (i) 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 2013 \$' 000	Dec 2012 \$' 000
Plant and Equipment (cost)	1,616	1,567
Accumulated depreciation	(906)	(734)
Leasehold improvements (cost)	99	99
Accumulated depreciation	(33)	(26)
Buildings	844	694
Accumulated depreciation	(115)	(60)
	1,505	1,540

(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 2013 \$' 000	Dec 2012 \$' 000
Plant and Equipment		
Carrying value at beginning of year	833	985
Acquisitions	9	38
Disposals	(3)	-
Effects of currency translation	15	-
Depreciation expense	(144)	(190)
Carrying value at end of year	710	833
Leasehold improvements		
Carrying value at beginning of year	73	80
Depreciation expense	(7)	(7)
Carrying value at end of year	66	73
Buildings		
Acquisitions	634	669
Effects of currency translation	132	-
Depreciation	(37)	(35)
Carrying value at end of year	729	634
Total property, plant and equipment carrying value at end of period	1,505	1,540

12: Capitalised exploration and evaluation expenditure

	Dec 2013 \$' 000	Dec 2012 \$' 000
Balance at beginning of year	53,642	46,808
Exploration and/or evaluation phase in current period:		
Capitalised expenses	2,728	5,368
Effects of currency translation (i)	9,360	-
	65,730	52,176
Less:		
Impairment of capitalised expenditure (iii)	(871)	
Effects of currency translation (i)	-	1,466
Balance at end of year	64,859	53,642

- (i) The Kvanefjeld Project EL 2010/02 is held by Greenland Minerals and Energy (Trading) A/S, the 100% held Greenlandic subsidiary. 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 accounts
12: Capitalised exploration and evaluation expenditure (cont'd)

- (ii) During the year the Company directly held 100% interest in Greenland exploration licenses EL 2011/26 and EL 2011/27.
- (iii) EL 2011/23 was relinquished during the year and the capitalised costs impaired. This exploration license was on the east coast of Greenland and unrelated to the Kvanefjeld project.
- (iv) The recoverability of the Consolidated Group's carrying value of the capitalised exploration and evaluation expenditure relating to the Kvanefjeld Project and EL 2011/26 and EL 2011/27 is subject to the successful development and exploitation of the exploration property. The Consolidated Group will carry out a feasibility study including among other areas, environmental and social impact studies, with the intention of applying for the right to mine.
- (v) 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.

Table of exploration licenses

Exploration Licence	Location	Ownership
EL 2010/02	Southern Greenland	100% held by Greenland Minerals and Energy (Trading) A/S
EL 2011/26	Southern Greenland	100% held by Greenland Minerals and Energy Limited
EL 2011/27	Southern Greenland	100% held by Greenland Minerals and Energy Limited
EL 2013/05 (i)	Western Greenland	100% held by Greenland Minerals and Energy Limited

- (i) Unrelated exploration license to the Kvanefjeld project that at the year ended 31 December 2013, the Consolidated Group had incurred no expenditure on.

Notes to the accounts

13: Trade and other payables

	Dec 2013 \$' 000	Dec 2012 \$' 000
Accrued expenses (i)	163	329
Trade creditors (ii)	282	703
Sundry creditors (ii)	98	208
	543	1,240

- (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.
- (iii) 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: Other liabilities

	Dec 2013 \$' 000	Dec 2012 \$' 000
EURARE grant advanced payment (i)	125	-
	125	-

- (i) Greenland Minerals and Energy (Trading) A/S is a participant in the EURARE Project, a European Union initiated project to assess the development and exploitation of Europe's rare earth deposits. As a participant in the EURARE Project Greenland Minerals and Energy (Trading) A/S has received an advanced grant payment, which is to be applied against approved EURARE Project expenses. The EURARE grant advance payment is the balance of the grant received as at 31 December 2013 that had not been applied to approved project expenses, but is expected to be applied against expenses incurred in the future period.

15: Provisions - Current

	Dec 2013 \$' 000	Dec 2012 \$' 000
Provision for annual leave	144	331
	144	331

Provisions – Non-Current

	Dec 2013 \$' 000	Dec 2012 \$' 000
Provision for long service leave	30	89
	30	89

Notes to the accounts

16: 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 2013		Dec 2012	
	No ' 000	\$' 000	No ' 000	\$' 000
Balance brought forward	567,937	334,399	416,390	291,826
Issue of ordinary shares through capital raisings	-	-	50,000	15,000
Issue of ordinary shares through share purchase plan	-	-	6,859	2,057
Issue of ordinary shares as consideration for acquisition of royalty (refer note 6f)	-	-	17,500	5,075
Issue of ordinary shares as consideration for share based payments	5,885	2,102	2,363	753
Issue of ordinary shares in relation to the acquisition of the non-controlling interest in the Kvanefjeld project (refer to note 16)	-	-	74,825	21,700
Issue of ordinary shares as a result of exercised options:				
\$0.25 exercise price options	750	449	-	-
Less costs associated with shares issued	-	-	-	(2,012)
Balance at end of financial year	574,572	336,950	567,937	334,399

17: Reserves

	Dec 2013	Dec 2012
a) Option reserve	\$' 000	\$' 000
Balance brought forward	22,324	14,997
Issue of options to directors (i)	213	854
Issue of options to senior management (i)	92	367
Issue of performance rights to directors (i)	683	2,381
Issue of performance rights to senior management (i)	175	701
Issue of performance rights to staff (i)	510	1,905
Issue of employee rights to senior management (i)	140	-
Issue of employee rights to staff (i)	269	-
Issue of \$0.75 exercise price options in relation to the acquisition of the non-controlling interest in the Kvanefjeld project	-	307
Issue of \$0.60 exercise price options on the basis of one option for every two \$0.30 shares issued	-	812
Recognition of shares issued in lieu of salary	1,912	-
Transfer to share capital – shares issued in lieu of salary	(1,169)	-
Options exercised – transferred to share capital:		
\$0.25 exercise price options	(261)	-
Balance at end of financial year	24,888	22,324

(i) Refer to note 24 for further information.

Notes to the accounts

17: Reserves (cont'd)

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 24 to the financial statements.

	Dec 2013	Dec 2012
b) Foreign currency translation reserve	\$' 000	\$' 000
Balance brought forward	(5,355)	(6,783)
Current period adjustment from currency translation of foreign controlled entities	9,893	1,428
Balance at end of year	4,538	(5,355)

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 2013	Dec 2012
c) Non-controlling interest acquisition reserve	\$' 000	\$' 000
Balance brought forward	(39,672)	(5,611)
Settlement consideration – cash (i)	-	(5,000)
Settlement consideration – shares (i)	-	(21,700)
Settlement consideration – options (i)	-	(307)
Transfer non-controlling interest carrying value	-	(7,054)
Balance at end of year	(39,672)	(39,672)

The non-controlling interest acquisition reserve records the acquisition of the non-controlling interests in Greenland Minerals and Energy (Trading) A/S.

- (i) In October 2012, the Company finalised the settlement acquisition of the outstanding 39% of the issued capital of Greenland Minerals and Energy (Trading) A/S and moved to 100% ownership of the subsidiary. As consideration for settlement and in addition to the deposit amounts recognised in the previous year, the Company paid \$5,000,000, issued 74,824,997 shares and 4,999,520 options with an exercise price of \$0.75.

Notes to the accounts
17: Reserves (cont'd)

	Dec 2013	Dec 2012
	\$' 000	\$' 000
d) Total reserves		
Option reserve	24,888	22,324
Foreign currency translation reserve	4,538	(5,355)
Non-controlling interest acquisition reserve	(39,672)	(39,672)
	<u>(10,246)</u>	<u>(22,703)</u>

18: Dividends

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

19: Accumulated losses

	Dec 2013	Dec 2012
	\$' 000	\$' 000
Balance at beginning of financial year	(246,705)	(230,030)
Loss attributable to members of parent entity	(8,769)	(16,675)
Related income tax	-	-
Balance at end of financial year	<u>(255,474)</u>	<u>(246,705)</u>

20: Loss per share

	Dec 2013	Dec 2012
	Cents	Cents
	Per share	Per share
Basic loss per share		
From continuing operations	1.53	3.72
Diluted loss per share		
From continuing operations	1.53	3.72

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 2013	Dec 2012
Loss for year (\$)	8,768,670	16,675,104
Weighted average number of shares used in the calculation of basic and diluted loss per share (Number)	572,142,187	488,501,056

- (i) There were 52,454,211 potential ordinary shares on issue at 31 December 2013 (31 December 2012: 55,378,711) 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

21: Commitments for expenditure

Exploration commitments: EL 2010/02 is located in Greenland. The tenement expenditure incurred during the year ended 31 December 2013 and prior years 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 sufficient to meet the minimum expenditure requirements over this period.

The Consolidated Group has recognised sufficient estimated expenditure to keep exploration licenses EL 2011/23, EI 2011/26 and EI2011/27 in good standing.

	Dec 2013 \$'000	Dec 2012 \$'000
Tenement commitments		
Not longer than 1 year	-	250
Longer than 1 year but not longer than 5 years	1,000	1,000
Longer than 5 years	-	-
	1,000	1,250
Operating leases (i)		
Not longer than 1 year	198	210
Longer than 1 year but not longer than 5 years	17	17
Longer than 5 years	-	-
	215	227
Other contractual obligations (ii)		
Not longer than 1 year	140	-
Longer than 1 year but not longer than 5 years	-	160
Longer than 5 years	-	-
	140	160

- (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 2015, and is non-cancelable, with a 2 year renewal option. No liabilities have been recognised in relation to operating leases at 31 December 2013 or 31 December 2012.
- (ii) Relates to ongoing contractual obligations with Gravner Limited for corporate advisory services.

22: Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		Dec 2013 %	Dec 2012 %
Chahood Capital Limited	Isle of Man	100	100
Greenland Minerals and Energy (Trading) A/S (i)	Greenland	100	100

Notes to the accounts

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 2013 \$' 000	Year ended 31 Dec 2012 \$' 000
Loss for the year	(8,769)	(17,344)
(Gain) loss on sale or disposal of non-current assets	15	75
(Gain) loss on revaluation of fair value through profit and loss of financial assets	-	27
Depreciation	188	231
Equity-settled share-based payments	4,806	6,207
Royalty acquisition	-	5,075
Impairment of capitalised exploration and evaluation expenditure	871	-
Interest income received and receivable	(256)	(274)
(Increase)/decrease in assets		
Trade and other receivables	287	51
Increase (decrease) in liabilities		
trade and other payables	(1,028)	236
in provisions	(246)	(60)
Net cash used in operating activities	(4,132)	(5,776)

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

24: Share based payments

In addition to the share based payments discussed elsewhere within this this note, the following share-based payment arrangements were entered into in the year ended 31 December 2013:

Date	Number	Issue Price	Value
25/02/2013 (i)	1,128,571	\$0.39	\$440,143
25/02/2013 (ii)	1,261,949	\$0.39	\$492,160
25/02/2013 (iii)	897,334	\$0.39	\$349,960
15/05/2013 (iv)	744,833	\$0.29	\$216,001
01/10/2013 (iii)	897,344	\$0.37	\$335,575
01/11/2013 (iv)	955,471	\$0.28	\$267,642

- (i) Shares issued to debtors.
- (ii) Shares issued to employee in lieu of salary and other employment entitlements.
- (iii) Shares issued to employees as termination payment.
- (iv) Shares issued in lieu of salary.
- (v) No share based payments other than as discussed elsewhere within this note were entered into during the prior year.

Notes to the accounts

24: Share based payments (cont'd)

Shares in lieu of salaries

In February 2013 as part of a strategy to preserve cash reserves, directors, senior management and a number of other staff agreed to a reduction in salary and other employment entitlements that would have been payable by the Company in cash. As compensation for agreeing to these reductions, the Company agreed to issue shares to the individuals concerned. The number of shares to be issued was established by calculating the dollar value of foregone employment entitlements and issuing the equivalent value in shares based on a share price of \$0.30. The shares are to be issued in four tranches over a two year period except for Michael Hutchinson who will be issued shares over three tranches.

The shares that have been and are to be issued to directors were approved by shareholders at the Company's Annual General Meeting on 15 May 2013.

In accordance with AASB2, the value of the shares in lieu of salaries has been recognised as the fair value of the shares issued in the first two tranches during the year ended 31 December 2013 and a proportion of the fair value of the remaining two tranches to be issued in the year ended 31 December 2014. All four tranches require continuous service through to the respective vesting date. As a result of this vesting profile, 79% of the total fair value of the four tranches has been recognised at 31 December 2013, with the balance to be recognised during the year ended 31 December 2015.

Shares issued to staff in lieu of salary and other employment entitlements during the year ended 31 December 2013

Tranche	Number	Grant date fair value \$	Pro-rata vesting period value recognised during the year ended 31 Dec 2013
1	897,334	345,474	345,473
2	906,344	340,060	340,060
3	915,445	343,567	266,839
4	923,733	346,733	185,200
	3,642,856	1,375,834	1,137,572

Shares issued to directors in lieu of salary during the year ended 31 December 2013

Tranche	Number	Grant date fair value \$	Pro-rata vesting period value recognised during the year ended 31 Dec 2013
1	744,833	216,001	216,001
2	955,471	267,642	267,642
3	955,470	267,758	175,955
4	955,467	267,874	115,376
	3,611,241	1,019,275	774,974

Employee Rights

In September 2013 the Remuneration Committee and the Board approved the Employee Rights Plan ("ERP") and approved the issue of Employee Rights under the plan. All employees of the Consolidated Group were invited to participate in the ERP. The number of rights being offered to employees was determined by the seniority of the employee, with three levels of seniority being established and a factor based on the seniority being applied to the employee's base salary.

Notes to the accounts

24: Share based payments (cont'd)

The Employee Rights will convert to Ordinary fully paid shares subject to a twelve month continuous service period vesting condition and in three tranches subject to share price vesting conditions. The Employee Rights were offered to assist in retaining and to further incentivise employees.

In accepting the offer of the Employee Rights, employees agreed that the Employee Performance Rights issued in 2011 would be cancelled. At the time the Employee Performance Rights were cancelled, the fair value of the cancelled rights had been fully expensed.

The Employee Rights were not offer to directors and no directors participated in the Employee Rights Issue.

The Employee Rights will vest in three tranches based on the Company's Volume Weighted Average Share Price ("VWAP") exceeding price hurdles for 5 consecutive trading days.

Tranche 1 - Will vest upon both the volume weighted average price of Shares being \$0.50 or more for 5 consecutive Trading Days and the employee remaining an employee of the Company until 30 September 2014.

Tranche 2 - Will vest upon both the volume weighted average price of Shares being \$0.75 or more for 5 consecutive Trading Days and the employee remaining an employee of the Company until 30 September 2014.

Tranche 3 - Will vest upon both the volume weighted average price of Shares being \$1.00 or more for 5 consecutive Trading Days and the employee remaining an employee of the Company until 30 September 2014.

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

Grant date	04/10/2013
Underlying share price at grant date	\$0.27
Maximum life	3 Years
Expected future volatility	100%
Risk free rate	2.84%
Tranche1 share price hurdle	\$0.50
Tranche2 share price hurdle	\$0.75
Tranche3 share price hurdle	\$1.00

Performance rights

On the 23 January 2012, shareholders approved the issue of 1,000,000 un-vested performance rights to Anthony Ho. These rights were issued to Mr Ho in recognition of the work and his valuable input in securing the agreement to acquire the remaining 39% interest in the Kvanefjeld project.

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.

Notes to the accounts

24: Share based payments (cont'd)

- Tranche 1 - Will vest upon both the volume weighted average price of Shares being \$0.75 or more for 10 consecutive Trading Days and remain an employee of the Company until 30 June 2013.
- Tranche 2 - Will vest upon both the volume weighted average price of Shares being \$1.00 or more for 10 consecutive Trading Days and remain an employee of the Company until 30 June 2013.
- Tranche 3 - Will vest upon both the volume weighted average price of Shares being \$1.50 or more for 10 consecutive Trading Days and remain an employee of the Company until 30 June 2013.

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 Company did not issue any performance rights during the year ended 31 December 2013.

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

Grant date	23/01/2012
Underlying share price at grant date	\$0.51
Maximum life	3 Years
Expected future volatility	100%
Risk free rate	3.03%
Tranche1 share price hurdle	\$0.75
Tranche2 share price hurdle	\$1.00
Tranche3 share price hurdle	\$1.75

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 convert 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 change of control of the Company of greater than 50% of the shares in the Company.

Notes to the accounts

24: Share based payments (cont'd)

- 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 change of control of the Company of 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 change of control of the Company of 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.

The Company did not issue any performance rights under the EPRP during the years ended 31 December 2013 or 31 December 2012.

During the current year 4,860,000 performance rights were cancelled, the rights were cancelled on employees accepting an offer to participate in the issue of employee rights. 590,000 performance rights were cancelled in the prior year as a result of employees being terminated prior to the service period vesting condition being satisfied.

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 for the year ended 31 December 2013

Tranche	Opening balance 1 Jan 2013	Number cancelled or lapsed during year ended 31 Dec 2013	Balance at 31 Dec 2013	Pro-rata vesting period value recognised during the year ended 31 Dec 2013
1	4,855,000	1,455,000	3,900,000	487,770
2	5,170,000	1,520,000	3,900,000	436,589
3	5,835,000	1,885,000	4,200,000	443,345
	15,860,000	4,860,000	12,000,000	1,367,704

Notes to the accounts

24: Share based payments (cont'd)

Performance rights granted under the EPRP for the year ended 31 December 2012

Tranche	Opening balance 1 Jan 2012	Number cancelled or lapsed during year ended 31 Dec 2012	Balance at 31 Dec 2012	Pro-rata vesting period value recognised during the year ended 31 Dec 2012
1	5,000,000	145,000	4,855,000	2,816,507
2	5,325,000	155,000	5,170,000	2,859,010
3	6,125,000	290,000	5,835,000	2,966,368
	16,450,000	590,000	15,860,000	8,641,885

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 change of control of the Company of 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 change of control of the Company of 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 change of control of the Company of 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.

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.

The Company did not issue any performance options during the years ended 31 December 2013 or 31 December 2012.

Notes to the accounts
24: Share based payments (cont'd)

Performance options granted for the year ended 31 December 2013

Tranche	Opening balance 1 Jan 2013	Number cancelled or lapsed during year ended 31 Dec 2013	Balance at 31 Dec 2013	Pro-rata vesting period value recognised during the year ended 31 Dec 2013
1	2,300,000	2,300,000	-	117,852
2	2,350,000	2,350,000	-	104,111
3	2,350,000	2,350,000	-	83,237
	7,000,000	7,000,000	-	305,200

Performance options granted for the year ended 31 December 2012

Tranche	Opening balance 1 Jan 2012	Number cancelled or lapsed during year ended 31 Dec 2012	Balance at 31 Dec 2012	Pro-rata vesting period value recognised during the year ended 31 Dec 2012
1	2,300,000	-	2,300,000	471,408
2	2,350,000	-	2,350,000	416,444
3	2,350,000	-	2,350,000	332,948
	7,000,000	-	-	305,200

Employee options

The Company did not issue any employee options during the year ended 31 December 2012.

The weighted average fair value of performance rights granted during the financial year is \$0.46 (2011: \$0.61).

The following options issued to directors and senior management, were exercised during the financial year ended 31 December 2013:

	Date	Number exercised (i)	Exercise price	Share price @ exercise date	Amount Paid \$	Amount unpaid \$
S Bunn	02/02/2011	750,000	\$0.25	\$0.30	187,500	-
(i)	The number of options exercised relates only to options exercised that were granted as compensation and recognised in remuneration in prior years.					

There were no options exercised by directors or senior management during the previous financial year ended 31 December 2012.

Notes to the accounts

24: Share based payments (cont'd)

Lapsed options

During the current financial year ended 31 December 2013, the following options issued to directors and senior management lapsed as a result of market-based vesting conditions not being satisfied.

Director/senior management	Number	Value @ grant date	Lapse date	Value @ lapse date
R McIlree (i)	2,800,000	974,819	31/08/2013	-
J Mair (i)	2,100,000	733,390	31/08/2013	-
S Bunn (i)	2,100,000	733,390	31/08/2013	-

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

During the previous financial year ended 31 December 2012, no options issued to directors or senior management lapsed.

Rights cancelled

During the current financial year ended 31 December 2013, the following un-vested Employee Performance Rights were cancelled upon acceptance of participation in the Employee Rights Plan offered during the year. The fair value of the cancelled rights had been fully expensed prior to the cancellation.

Senior management	Number	Value @ grant date	Cancellation date	Value @ Cancellation date
S Bunn (i)	2,100,000	1,283,660	04/10/2013	-
M Guy (i)	350,000	118,938	04/10/2013	-

During the previous financial year ended 31 December 2012, no employee rights issued to directors or senior management were cancelled.

The following are the terms of the Employee Rights:

1. The Employee Rights are non-transferable.
2. The rights under Employee Rights are personal and an Employee 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 Employee Rights vest upon the satisfaction of any Employee hurdles specified at the time of issue.
4. The Employee Rights lapse upon the Eligible Employee ceasing to be employed or on the failure to satisfy any Employee hurdles within a required time of the issue of the Employee Rights.
5. Upon vesting, one (1) Share will be issued for every one (1) Employee 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 Employee Right upon vesting will be entitled to have issued to it the increased number of Shares that it would have received if the Employee Right had vested and the holder acquired Shares in respect of the Employee Right before the record date for the bonus issue.

Notes to the accounts

24: Share based payments (cont'd)

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 Employee Rights will be reconstructed in a manner consistent with the ASX Listing Rules.

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.

Notes to the accounts

24: Share based payments (cont'd)

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.
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 2013		Dec 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial period	7,750,000	1.60	7,750,000	1.60
Granted during financial period	-	-	-	-
Forfeited during the financial period	-	-	-	-
Exercised during the financial period	(750,000)	0.25	-	-
Expired during the financial period	(7,000,000)	1.75	-	-
Exercisable at the end of the financial period	-	-	7,750,000	1.60

The average share price during the current period was \$0.69 (2012: \$0.40).

25: 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 2012.

The capital structure of the Consolidated Group consists of fully paid shares and options as disclosed in notes 17 and 17 respectively.

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

(b) Categories of financial instruments

	Dec 2013	Dec 2012
	\$' 000	\$' 000
Financial assets		
Cash and equivalents	5,343	10,801
Loans and receivables - current	49	326
Fair value through profit and loss – held for trading	-	15
Financial liabilities		
Amortised cost	668	1,240

Notes to the accounts

25: Financial instruments (cont'd)

(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.

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.

Notes to the accounts

25: Financial instruments (cont'd)

(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 \$' 000	6 – 12 Months \$' 000	1 - 5 Years \$' 000	> 5 Years \$' 000	Total \$' 000
Dec 2013						
Cash and equivalents	2.72	4,922	421			5,343
Trade and receivables - current	-	49	-	-	-	49
		4,971	421			5,392
Dec 2012						-
Cash and equivalents	4.28	10,381	420			10,801
Trade and receivables - current	-	326	-	-	-	326
		10,707	420			11,438

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 2013						
Trade and other payables	-	543	-	-	-	543
Other liabilities	-	-	125	-	-	125
		543	125	-	-	668
Dec 2012						
Trade and other payables	-	1,240	-	-	-	1,240
		1,240	-	-	-	1,240

(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.

Notes to the accounts

25: Financial instruments (cont'd)

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 2013, 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 2013 \$' 000	Dec 2012 \$' 000
Change in profit		
Increase in interest rate by 1% (100 basis points)	81	80
Decrease in interest rate by 1% (100 basis points)	(81)	(83)

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).

26: Key management personnel compensation

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

	Year ended 31 Dec 2013 \$	Year ended 31 Dec 2012 \$
Short-term employee benefits	1,331,429	2,052,348
Post-employment benefits	75,816	167,400
Other long-term benefits – provision for long service leave	(29,752)	89,254
Termination benefits	-	-
Share-based payment	2,905,048	4,298,729
	4,282,541	6,607,731

Refer to the remuneration report included in pages 31 to 45 of the Directors report for more detailed remuneration disclosures.

Notes to the accounts

27: 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 2013						
M Hutchinson	-	210,638	-	-	210,638	-
R McIllree	12,111,456	1,035,500	-	200,000	13,346,956	-
S Cato	4,762,200	-	-	-	4,762,200	-
J Mair	5,110,000	454,166	-	-	5,564,166	-
A Ho	350,000	-	-	200,000	550,000	-
J Whybrow	6,010,200	-	-	-	6,010,200	-
S Bunn	-	961,516	750,000	-	1,711,516	-
M Guy	325,000	342,984	-	(200,000)	467,984	-
Dec 2012						
M Hutchinson	-	-	-	-	-	-
R McIllree	11,411,456	-	-	700,000	12,111,456	-
S Cato	4,712,200	-	-	50,000	4,762,200	-
J Mair	5,110,000	-	-	-	5,110,000	-
A Ho	250,000	-	-	100,000	350,000	-
J Whybrow	6,010,200	-	-	-	6,010,200	-
S Bunn	600,000	-	-	(600,000)	-	-
M Guy	300,000	-	-	25,000	325,000	-

- (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.

Notes to the accounts
27: 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 2013									
M Hutchinson	-	-	-	(2,800,000)	-	-	-	-	-
R McIlree	2,800,000	-	-	-	-	2,800,000	-	-	-
S Cato	-	-	-	(2,100,000)	-	-	-	-	-
J Mair	2,100,000	-	-	-	-	2,100,000	-	-	-
A Ho	-	-	-	-	-	-	-	-	-
J Whybrow	-	-	-	-	-	-	-	-	-
S Bunn	2,850,000	-	(750,000)	(2,100,000)	-	50,000	-	-	-
M Guy	50,000	-	-	-	-	50,000	-	-	-
Dec 2012									
M Hutchinson	-	-	-	-	-	-	-	-	-
R McIlree	2,800,000	-	-	-	-	2,800,000	-	-	-
S Cato	-	-	-	-	-	-	-	-	-
J Mair	2,100,000	-	-	-	-	2,100,000	-	-	-
A Ho	-	-	-	-	-	-	-	-	-
J Whybrow	-	-	-	-	-	-	-	-	-
S Bunn	2,850,000	-	-	-	-	2,850,000	-	-	-
M Guy	-	-	-	-	50,000	50,000	-	-	-

- (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.

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 24.

Notes to the accounts

27: 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 2013									
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	1,600,000	-	-	-	-	1,600,000	-	-	-
J Whybrow	1,000,000	-	-	-	-	1,000,000	-	-	-
S Bunn	2,100,000	-	-	-	(2,100,000)	-	-	-	-
M Guy	350,000	-	-	-	(350,000)	-	-	-	-
Dec 2012									
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	1,000,000	-	-	-	1,600,000	-	-	-
J Whybrow	1,000,000	-	-	-	-	1,000,000	-	-	-
S Bunn	2,100,000	-	-	-	-	2,100,000	-	-	-
M Guy	350,000	-	-	-	-	350,000	-	-	-

(i) Performance rights cancelled when employees accepted an offer to participate in the October 2013 Employee Rights issue

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 24.

Notes to the accounts
27: Key management personnel equity holdings (cont'd)
Employee 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 2013									
M Hutchinson	-	-	-	-	-	-	-	-	-
R McIlree	-	-	-	-	-	-	-	-	-
S Cato	-	-	-	-	-	-	-	-	-
J Mair	-	-	-	-	-	-	-	-	-
A Ho	-	-	-	-	-	-	-	-	-
J Whybrow	-	-	-	-	-	-	-	-	-
S Bunn	-	2,100,000	-	-	-	2,100,000	-	-	-
M Guy	-	1,200,000	-	-	-	1,200,000	-	-	-

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 24.

Notes to the accounts

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 2013 \$36,867 was paid to Advance Share Registry Limited for services provided (Dec 2012: \$67,085).

29: Parent Company information

	Parent	
	Dec 2013 \$' 000	Dec 2012 \$' 000
Financial position		
Total Current Assets	5,592	11,469
Total Non-Current Assets	74,231	63,761
Total Assets	79,823	75,230
Total Current Liabilities	586	1,429
Total non-current liabilities	30	89
Total Liabilities	616	1,518
Net Assets	79,207	73,712
Equity		
Issued Capital	336,950	334,339
Reserves	24,888	22,324
Accumulated Losses	(282,631)	(282,951)
Total Equity	79,207	73,712
Financial Performance		
Profit (Loss) for the year	320	(56,360)
Total comprehensive income	320	(56,360)

Contingent liabilities

The parent company has no contingent liabilities as at 31 December 2013 or 2012.

Guarantees

Greenland Minerals and Energy Limited has guaranteed the provision of funding and support to the Company's 100% held subsidiary, Greenland Minerals and Energy Limited (Trading) A/S). This funding forms part of the Consolidated Group's approved budgeted expenditure.

Greenland Minerals and Energy Limited has placed \$220,000 and \$169,905 into two separate deposit accounts with the Company's bank. These deposits are held by the bank as security over corporate credit cards issued to the Company.

During the financial year ended 31 December 2011, Greenland Minerals and Energy limited provided a guarantee to the Greenland Government on the behalf of Arctic Energy Pty 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 prevent 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.

Greenland Minerals and Energy limited currently holds a 24% interest in Arctic Energy Pty Limited.

Notes to the accounts

30: Remuneration of auditors

Auditor of the parent entity	Dec 2013 \$	Dec 2012 \$
Audit or review of the financial report	87,536	88,830
Other assurance services	8,500	-
Non-audit services - taxation	14,700	3,465
	110,736	92,295

Related practice of the parent entity auditor	Dec 2013 \$	Dec 2012 \$
Audit or review of the financial report	26,661	44,698
Non-audit services – taxation	1,838	9,693
Non-audit services – other	2,942	6,691
	31,441	61,074

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

31: Subsequent Events

In March 2014 the Consolidated Group entered a non-binding Memorandum of Understanding (“MoU”) with China Non-Ferrous Metal Industry’s Foreign Engineering and Construction Co Limited (“NFC”). The MoU sets out a framework for both parties to cooperate in aligning the rare earth concentrates from the Consolidated Group’s Kvanefjeld project, with NFC’s substantial rare earth separation experience and capacity.

Please refer to the Company announcement released to the ASX on 24 March 2014.

Other than the matter above, there have been no matters or circumstances 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 21st February 2014

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

574,572,911 fully paid ordinary shares are held by 3,690 individual shareholders.

Substantial Shareholders

Shareholder	Number	Percentage
1. Citicorp Nominees Pty Limited	100,690,410	17.5%
1. JP Morgan Nominees Australia Limited	83,056,904	14.5%
2. HSBC Custody Nominees (Australia) Limited	76,972,260	13.4%
3. Rimbal Pty Ltd	55,304,175	9.6%
4. GCM Nominees Pty Limited	35,000,000	6.1%

Additional stock exchange information as at 21st February 2014

Distribution of holders of quoted shares

Share Spread	Holders	Units	Percentage
1 – 1,000	364	190,676	0.033%
1,001 – 5,000	1,077	3,285,248	0.572%
5,001 – 10,000	692	5,789,537	1.008%
10,001 – 100,000	1,285	45,017,032	7.835%
100,001 and over	272	520,290,418	90.553%
	3,690	574,572,911	100%

Twenty largest holders of quoted shares

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
1. Citicorp Nominees Pty Limited	100,690,410	17.5%
2. JP Morgan Nominees Australia Limited	83,056,904	14.5%
3. HSBC Custody Nominees (Australia) Limited	76,972,260	13.4%
4. Rimal Pty Limited	55,304,175	9.6%
5. GCM Nominees Pty Limited	35,000,000	6.1%
6. Roderick McIlree	13,346,956	2.3%
7. Benoit Company Limited	12,200,000	2.1%
8. Pure Steel Limited	11,087,008	1.9%
9. Cameron John French	10,152,112	1.7%
10. Jeremy Sean Whybrow	6,010,200	1.5%
11. Giacobbe, Dimitri and David Iesini	5,431,505	0.9%
12. Merrill Lynch (Australia) Nominees Pty Limited	5,348,669	0.9%
13. John Mair	5,564,166	0.9%
14. Simon Cato	4,762,200	0.8%
15. Christopher and Rita Read	4,572,048	0.8%
16. National Nominees Limited	4,490,461	0.8%
17. Peter Harry Hatch	3,100,000	0.5%
18. Falfaro Investments Limited	3,000,000	0.5%
19. ABN Amro Clearing Sydney Nominees Pty Limited	2,639,283	0.4%
20. BNP Paribas Pty Limited	2,430,092	0.4%
	445,158,449	77.5%

Additional stock exchange information as at 21st February 2014

Distribution of holders of quoted options

Share Spread	Holders	Units	Percentage
1 – 1,000	1	421	0.002%
1,001 – 5,000	4	15,213	0.059%
5,001 – 10,000	6	48,166	0.187%
10,001 – 100,000	57	2,281,731	8.854%
100,001 and over	19	23,423,660	90.898%
	87	25,769,191	100%

Twenty largest holders of quoted options

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
1. Pre-Emptive Trading Pty Limited	6,020,000	23.4%
2. Tracor Limited	5,500,000	21.3%
3. Zero nominees Pty Limited	4,774,235	18.5%
4. JP Morgan Nominees Australia Limited	2,448,333	9.5%
5. Twofivetwo Pty Limited	712,814	2.7%
6. USB Nominees Pty Limited	650,000	2.5%
7. Citicorp Nominees Pty Ltd	494,000	1.9%
8. National Nominees Pty Limited	450,000	1.7%
9. Nicole Yougman	437,080	1.7%
10. HSBC Custody nominees (Australia) Limited	350,661	1.4%
11. ABN Amro Clearing Sydney Nominees Pty Limited	333,334	1.3%
12. Greatside Holdings Pty limited	250,000	1.0%
13. William Jay Goodair	244,922	1.0%
14. Cameron John French	178,475	0.7%
15. John Tilney	167,500	0.6%
16. Michael Bushell	166,600	0.6%
17. Floyd Bruce Garrett	139,706	0.5%
18. Nicholas Timothy Allan	125,000	0.5%
19. Jason Dalziell	100,000	0.4%
20. James Alexander Hanson	100,000	0.4%
	23,642,660	91.6%



“ The Kvanefjeld project area is ideally located near an international airport and existing towns that are expected to provide general labour and services. ”



“The fjord system in south Greenland provides direct shipping access to the project area, year round.”



GREENLAND MINERALS AND ENERGY LIMITED

Registered Office & Principal Place of Business
Unit 6, 100 Railway Road, Subiaco, Western Australia, 6008

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

Tel: +61 8 9382 2322
Fax: +61 8 9382 2788

www.ggg.gl