

28 September 2016

**ASX CODE: GGG**
**Speculative Buy**
**Pro-Forma Capital Structure**

Sector	Materials
Share Price (A\$)	0.051
Fully Paid Ordinary Shares (m)	1,000.0
Listed Options (ex 8c, exp 9/18) (m)	187.0
Unl Options (ex 20/25c, exp 2/18) (m)	15.0
Market Capitalisation (undil) (A\$m)	51.0
Enterprise Value (undil) (A\$m)	43.5
Share Price Year H-L (A\$)	0.06-0.021
Approx Cash (A\$m)	7.5

**Directors & Management**

Anthony Ho	Non-Executive Chairman
John Mair	Managing Director
Simon Cato	Non-Executive Director
Miles Guy	Company Secretary

**Major Shareholders**

Citicorp Noms Limited	16.1%
JP Morgan Noms Aust Ltd	12.8%
HSBC Custody Noms	9.8%

**Analyst**

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**Share Price Performance**


## Greenland Minerals & Energy Ltd

*Leading REE company Shenghe to invest in GGG...Shenghe balance sheet should resolve funding through to development*

### Strategic Placement + Development Pathway

- The Company has placed (subject to FIRB approval prior to 30/11/2016) 125 million Shares at 3.7 cents for A\$4.6 million to vertically integrated and Shanghai listed REE company **Shenghe Resources Holding Ltd** (Shenghe). **Shenghe** has a market capitalisation of approximately A\$3.0 billion.
- Shenghe** retains anti-dilution rights with respect to future capital raisings with the right to nominate a non-executive director to the **GGG** board.
- The medium term objective is to jointly develop the project (terms and conditions to be agreed) and integrate Kvanefjeld with **Shenghe's** existing downstream processing facilities. The key takeaway in our view is the likely significant CAPEX saving as **GGG** taps into existing downstream processing infrastructure backed by the **Shenghe** balance sheet and REE market presence.

### Metallurgical Improvements

- Recent technical reviews by **Shenghe** and **GGG** have also highlighted the potential to recover further products (e.g. lithium, zirconium) from Kvanefjeld.

### Shenghe Resources...a major REE Participant

- Shenghe** is based in Chengdu (Sichuan Province) and has significant expertise in mining, beneficiation, metallurgy, separation and downstream processing and marketing. **Shenghe** also has its own downstream processing facilities (including a recent purchase of a plant in Vietnam) with access to cheap reagents. The development of Kvanefjeld therefore has the potential to further cement its place as a dominant REE player.
- Shenghe** controls domestic sources of REE ores and concentrates, has in country rare earth separation capacity, produces high purity rare earth metals and "end use" rare earth products such as polishing powders, catalysts and molecular sieves. In addition, **Shenghe** has an established international customer base for its products.

### Price Catalyst

- Further announcements on technical reviews, project optimisation studies together with progress on permitting at Kvanefjeld are likely to be the short to medium term share price drivers and will provide much needed insight in respect to capital and operating requirements.

### Action and Recommendation

- RMR** is maintaining its speculative buy on the back of further positive news as **GGG** moves into the development phase with a realistic pathway to production. Until the arrival of **Shenghe**, this pathway was not clear. Our upcoming research update (November 2016) will examine a few production/funding scenarios that **RMR** believes are likely to demonstrate significant **GGG** share price upside in the short to medium term.

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## RM Research Recommendation Categories

Care has been taken to define the level of risk to return associated with a particular company. Our recommendation ranking system is as follows:

<b>Buy</b>	Companies with 'Buy' recommendations have been cash flow positive for some time and have a moderate to low risk profile. We expect these to outperform the broader market.
<b>Speculative Buy</b>	We forecast strong earnings growth or value creation that may achieve a return well above that of the broader market. These companies also carry a higher than normal level of risk.
<b>Hold</b>	A sound well managed company that may achieve market performance or less, perhaps due to an overvalued share price, broader sector issues, or internal challenges.
<b>Sell</b>	Risk is high and upside low or very difficult to determine. We expect a strong underperformance relative to the market and see better opportunities elsewhere.

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