

24 July 2017

ASX CODE: GGG
Speculative Buy
Capital Structure

Sector	Materials
Share Price	A\$0.115
Fully Paid Ordinary Shares	1.0.b
Options (ex 8c, exp 30/9/18)	187.8m
Options (ex 20-25c, exp 24/2/18)	15.0m
Market Capitalisation (undil)	A\$115m
Share Price Year High-Low	A\$0.195-0.023
Approx Cash	A\$5.0m

Directors

Anthony Ho	Non-Executive Chairman
Dr John Mair	Managing Director
Ms Wenting Chen	Non-Executive Director
Simon Cato	Non-Executive Director

Major Shareholders

Citicorp Noms Pty Ltd	14.9%
HSBC Custody Noms Aust) Ltd	14.2%
JP Morgans Noms Aust Ltd	12.8%
Le Shan Shenghe Rare Earth Co	12.4%

Analyst

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Share Price Performance


Greenland Minerals & Energy Ltd

REE prices on the move, permitting advances and site visit from IAEA

Permitting remains on track

- **GGG** recently met (ASX Announcement 18/7/2017) with the Greenland Environmental Agency for Mineral Resources Activities (EAMRA) and Danish Centre for the Environment (DCE) in Copenhagen regarding the ongoing environmental studies, following the major review phase.
- Agreements were reached in respect to key aspects of the Feasibility Design including the location of tailings facilities, a water management plan and a dust modelling methodology. To date there do not appear to be any adverse flora or fauna impacts with low levels of radiation in the general vicinity of the proposed mining footprint.
- Further work is likely to address the supplementary waste rock stockpile stability, waste rock design and recovery of run off waters, additional base line data for air quality, radiation impacts and water flow. The Company has also engaged Shared Resources to assist with the process, in particular compliance with international standards, in preparation for project finance.

Visit from IAEA Director General

- International Atomic Energy Agency ("IAEA") Director General Yukiya Amano recently visited (ASX Announcement 15/5/2017) the Kvanefjeld Project on 8th May 2017 as part of a delegation including Greenland's Premier Kim Kielsen, the Mayor of Southern Greenland, and the Danish Ambassador to Vienna (home of the IAEA). The visit followed Greenland's accession to IAEA conventions and treaties in 2016, and implementation of legislation to govern the production and export of uranium from Greenland by the Danish and Greenland governments.
- The purpose of the site visit was to gain a greater understanding of key infrastructure including mine site, processing facilities, tailings storage and port facilities. Kvanefjeld is projected to produce approximate 1.0m pounds of U₃O₈ per annum as a by-product to rare earth production.

Chinese Policy & strong demand driving up Rare Earth Prices

- Key objectives of the Chinese domestic policy include consolidation into 6 state owned regional entities, removal of export quotas and tariffs and introduction of export licenses and the curbing of production outside of the formal quota system.
- Longer term objectives including limiting RE production to less than 140Ktpa, reducing separation plant capacity by 1/3, ensuring environmental compliance of the majority of operations and limiting the export of unprocessed RE ores.
- REE prices (Figures 1, 2) have risen strongly in 1H CY 2017 driven by reforms in China, a pending shortage of REE metals and increasing demand from electric vehicles, permanent magnets and other clean technologies such as wind turbines and industrial robots.
- The recent crackdown of illegal mining in China is also driving consolidation in the sector.
- From 1 January 2016, terbium oxide is up over 40%, lanthanum oxide 30% and praseodymium and neodymium approximately 20%.

Action and Recommendation

- **RMR** is maintaining a Speculative Buy. It appears the stars are aligning with REE supply side pressure driven by Chinese regulatory shifts, projected CAGR of 5% p.a. for REE and the increasing demand for HREE in clean technology applications, in particular magnets. Our next Quarterly update will revisit the current A\$0.29 risked NAV for **GGG**.
- As a footnote **Shenghe** has emerged as part of the consortium of Chinese financial backers to US companies JHL Capital Group and QVT Financial to purchase the Mountain Pass REE mine in California. Further consolidation/M&A are likely to drive REE valuations higher with Chinese companies taking the lead.

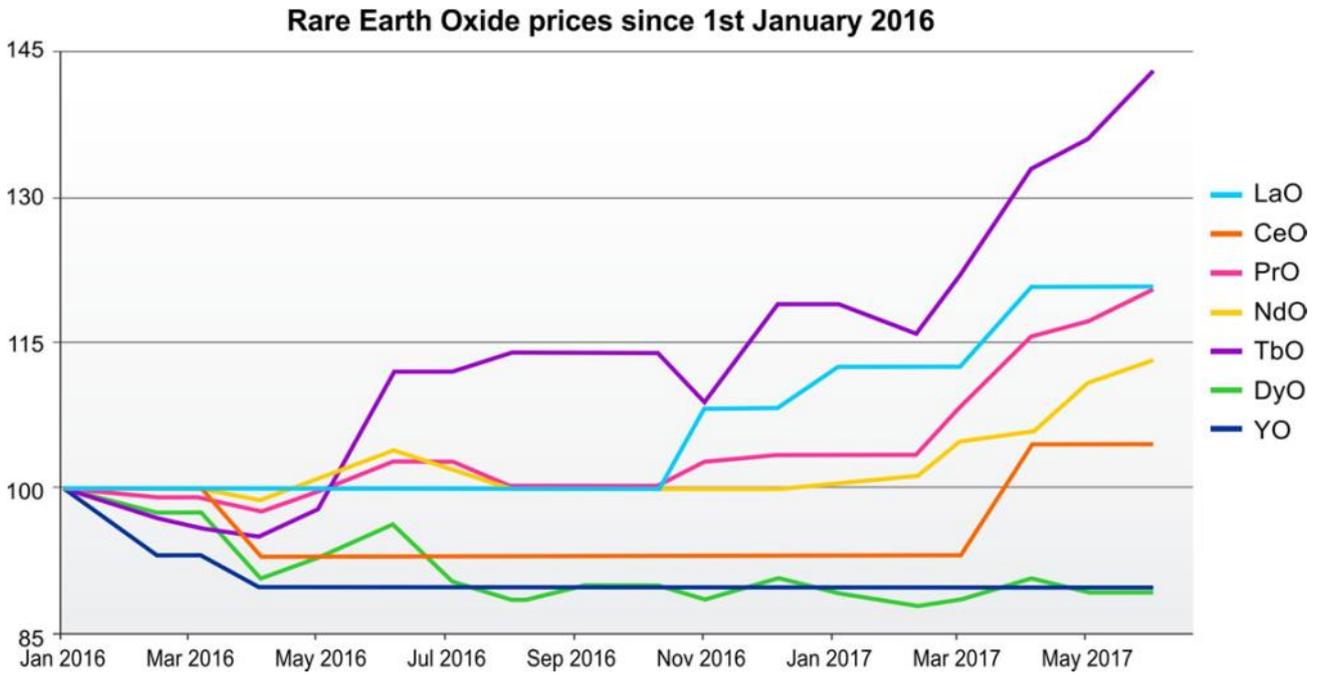


Figure 1: China Praseodymium—Neodymium Oxide Market Price Shanghai Market Price YTD.

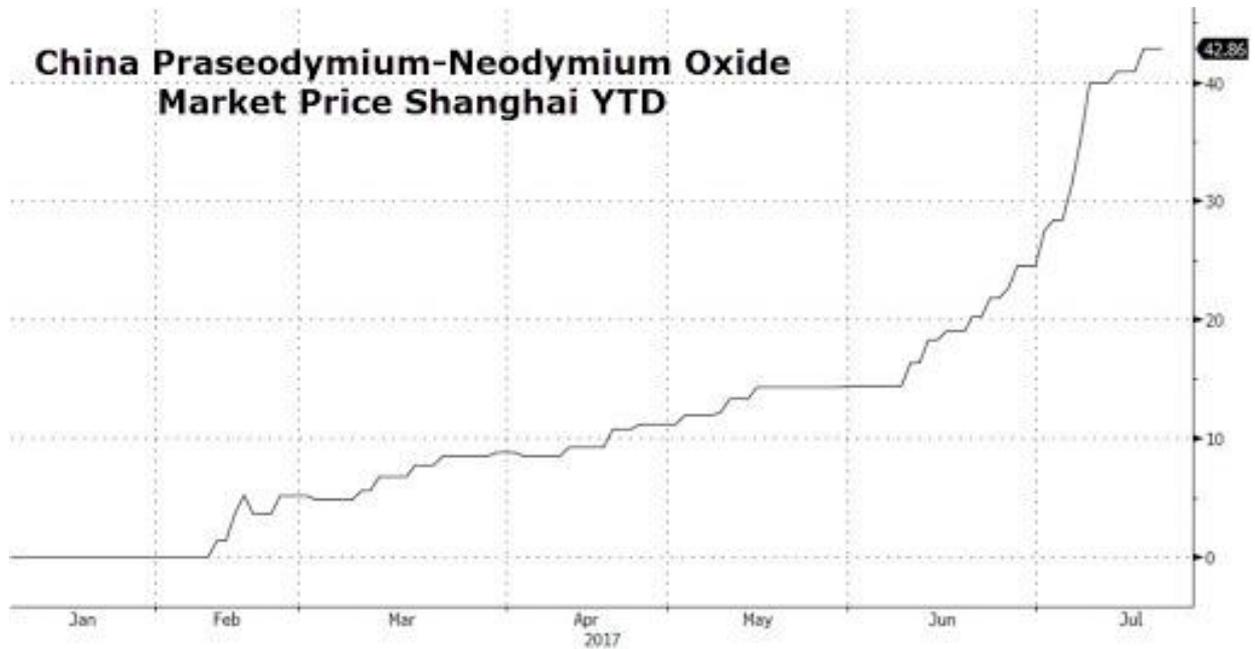


Figure 2: Praseodymium—Neodymium Oxide market price Shanghai YTD (source www.zerohedge.com).

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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:

Buy	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.
Speculative Buy	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.
Hold	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.
Sell	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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