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November 2007

Mining Sector

Listing: TSX Venture (GWG.V)

Great Western Minerals

The rare-earth elements' unique properties make them indispensable for many high technology and industrial applications. Over the past decade major rare earth mining facilities in North America have closed, largely due to environmental concerns and competition from China. Given their application in areas of strategic importance, attention is refocusing on the need to establish alternatives to the current Chinese dominance. Great Western Minerals aims to be in the vanguard of such moves.

Objective Capital Limited
Token House
11-12 Tokenhouse Yard
London EC2R 7AS
Tel:+44-(0)870-080-2965
Fax: +44-(0)870-116-0839
US toll-free: 1-888-802-7215
editor@objectivecapital.com

Corporate: www.ObjectiveCapital.com
Research: www.ObjectiveCapital.co.uk

Initiation Report

Contents

I certify that this report represents my own opinions.

Will Purcell, *Analyst*
will@objectivecapital.co.uk

Alexandra Harrison, *Analyst*
alex@objectivecapital.co.uk

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Our research complies with all FSA recommendations as may arise out of CP172 and CP176, i.e., that it be independent of any broking or trading interests; and CP205, i.e., that it comply with standards for objectivity.

The rare-earths form a group of fifteen metallic elements whose unique properties make them indispensable for many high technology and industrial applications. Over the past decade major rare earth mining facilities in North America have closed, largely due to environmental concerns and competition from China. Given their application in areas of strategic importance, attention is refocusing on the need to establish alternatives to the current Chinese dominance. Great Western Minerals Group Ltd (GWMG) aims to be in the vanguard of such moves.

- **GWMG's Hoidas Lake project is a Rare Earth Elements (REE) operation outside China** and marks North America's re-entry into the REE market. The Hoidas Lake project is believed to have the potential to supply ten percent of North America's REE needs for many years. North America controlled the REE sector until the late 1980s before losing out to China and the Hoidas Lake project is expected to help rebalance the industry.

- **China dominates the REE market** and accounts for approximately 97 percent of world supply. Given the critical uses of rare earth minerals in high technology industries and North America's consequent dependence on REE, a major new rare earths project in North America is a positive and important industry change.

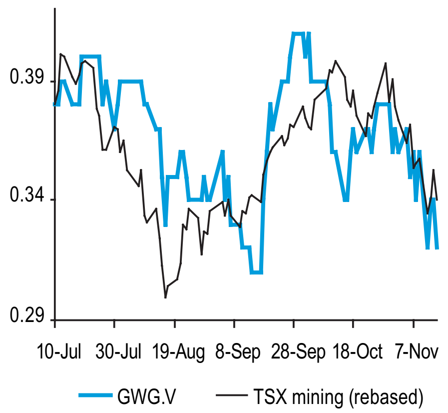
- **REE have a significant and growing number of applications** ranging from catalysts in the petroleum and automotive industries to everyday household appliances. REE are critical to state of the art defence technologies such as jet fighter engines and missile guidance systems. Applications also include new transportation technologies such as hydrogen-fuelled, hybrid and all-electric cars. In addition, the consumption of nearly one-fifth of all rare earth elements arises in the manufacture of permanent magnets that are used in electric motors, computer hard disk drives, DVDs and CD-ROMs.

- **The United States currently is one of the largest REE consumers** due to its dominance in various high technology industries and alternative energy ventures where REE are components. As US manufacturers shift their operations to the Far East, demand for REE is expected to increase from Asia as well. Availability and easy access to these minerals thus becomes crucial to the longevity and prosperity of these industries. At present, the US annually consumes 30,000 tons of rare earth oxides worth $1 billion. GWMG's target is to supply around ten percent of US consumption, or $100 million a year.

Key Points

20 November 2007
Price: C$0.32

Price chart (C$)



Current value of equity

Expected Value	C$35.0m
Value per share	**C$0.35**
Pessimistic Scenario	C$17.8m
Optimistic Scenario	C$49.6m
Value per share	C$0.18 - C$0.49

Company details

Quote	
Shares	
- TSX Venture	GWG.V
- Frankfurt	GWM.F
- Pink Sheets	GWMGF.PK
Hi-Lo last 12-mos. (C$)	0.46-0.29
Shares outstanding (m)	100.3
Fully diluted (m)	148.5
Market Cap'n (C$m)	32.1
Website:	*www.gwmg.ca*

Andy Hartwill
Research Director
andy@objectivecapital.com
0870 080 2965

Analysts:
Will Purcell
will@objectivecapital.co.uk
Alexandra Harrison
alexandra@objectivecapital.co.uk

- ***Demand growth for REE***

  Demand for REE remains robust with an annual volume growth of ten percent. With continued demand growth from end-user applications worldwide, demand for rare earth oxides is expected to be 150,000 to 155,000 tonnes by 2010. Much of the demand increase is expected to come from hybrid vehicles as well as rechargeable batteries for such vehicles. Permanent magnets and Nickel Metal Hydride (NiMH) batteries consumed close to 20,000 tonnes of REE in 2004. By 2010 these two products are expected to consume over 60,000 tonnes of REE.

REE demand for major applications (in tonnes)

	2004	**2005**	**2010**	**Major application areas**
Permanent magnets	13,650	17,170	31,100	Hybrid vehicles
NiMH batteries	6,200	7,200	27,300	Hybrid vehicles
Catalysts	20,440	21,230	25,960	Gasoline, diesel, hybrid emission controls
Phosphors	3,652	4,007	7,512	LCD, PDP displays
Polishing powders	14,100	15,150	23,500	LCD, PDP displays
Glass additives	13,440	13,590	13,990	Fibre optics

Source: BCC Research

GWMG intends to become a major player in the REE business by forming a vertically integrated operation encompassing the mining, processing, production and marketing of rare earth powders and metals. It already has rare earth production facilities through a fully owned subsidiary, Great Western Technologies Inc. The company's Hoidas Lake REE mining project is at a prefeasibility stage and is one of three REE projects currently being developed outside China.

GWMG is on its way to becoming an integrated REE player and is moving to complete its final feasibility study on the rare earths project in early 2009. The company has purchased a specialty metals production and processing facility in Troy, Michigan in the US. These facilities are producing material to be used in NiMH rechargeable batteries for the hybrid vehicle market. It is also producing super alloys for the aerospace industry and material for manufacturing magnets. GWMG intends to use its processing capability to build marketing alliances ahead of mine development.

GWMG's corporate strategy strives to establish some influence in the REE space through its integrated operation. Attempts are underway to secure reliable supply sources from overseas including China with GWMG holding better bargaining power due to its processing ability and access to end-user markets. Meanwhile, the Hoidas Lake development is expected to ensure another supply source locally.

There is more to the company than rare earths as it has copper-gold projects in Clark County, Nevada and at Chuckwala in Southern California. Both are exploration-stage development ventures and the company's primary focus is to get the REE project off the ground. GWMG also owns a 10.04 percent interest in Great Western Diamonds Ltd, a diamond explorer in Saskatchewan, which is subject to a takeover bid by Vaaldiam Resources Ltd. If successful, GWMG will own 4.275 million Vaaldiam shares.

The company is expected to benefit from a long mine life, according to Wardrop Engineering's NI 43-101 compliant resource estimate. A preliminary economic assessment is under way with a base case objective of constructing a 500-tonne per day mine and mill complex with a twenty-year mine life. At that rate, the company would be able to supply an estimated 4,000-5,000 tonnes of rare earth oxides per year.

Recent drilling efforts at its Hoidas Lake project have been favourable and the company has been able to substantially upgrade its resource estimate. After the results of the 2006 drilling programme that included drilling 14 core holes on top of the 70 existing drill holes, measured and indicated resources have increased by 108 percent to 1,150,000 tonnes with a slight increase in the grade to 2.362 percent total REE (2.830 percent total REO).

GWMG management is experienced with REE, including exploration and marketing, and has established links within the industry. Its subsidiary, Great Western Technologies (GWTI), will conduct much of the marketing, due to its processing abilities and proximity to end-user industries. This subsidiary already operates two 12,000-square-foot manufacturing plants that serve both as R&D and production facilities for rare earth materials. GWTI is expected to generate a profit by 2009, and could generate C$5m in annual revenue beyond 2009, although this is conditional on it obtaining contracts.

Our valuation approach

We have valued Great Western Minerals Group by assessing the economic potential of the company's Hoidas Lake property after accounting for:

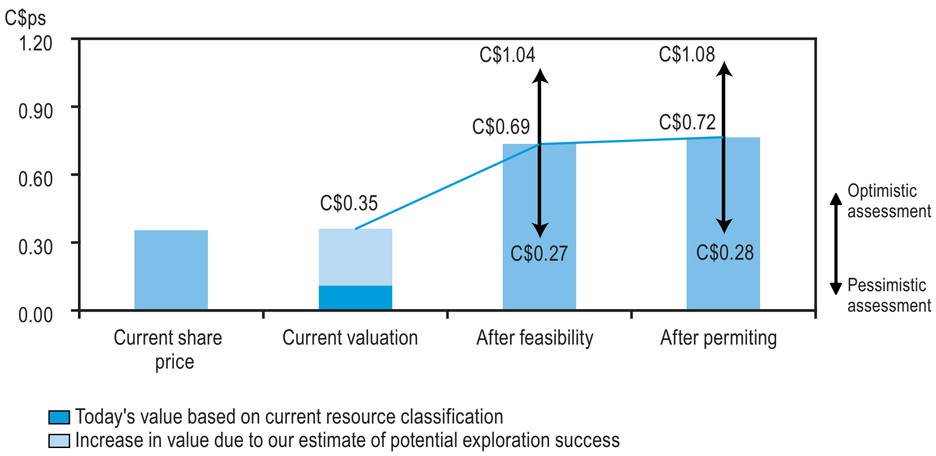
- the economics of mining operations by way of tax, operating costs etc;
- the probability-adjusted potential resource by way of classification and size; and
- the probability of feasibility, after taking account of metallurgical, social and regulatory issues.

Our assessment depends on commodity prices, both prices prevailing when mining eventually occurs, and the management's operational response to them. From a valuation perspective, we take account of management's ability to "mothball" operations when commodity prices are below the marginal cost of extraction. This creates "optionality" – something that traditional NPV fails to capture. This can be understood by thinking of NPV as assuming that positive and negative deviations from our mid-case have a similar likelihood of occurring and hence balance each other. In mining, by contrast, the downside is capped at the cost of "mothballing" the site.

We capture this by valuing each years' production as an option, assuming that prices revert to mean over the long run – i.e., the mine will only be operated if the commodity price is above the extraction cost. This means that we value the probability that the price is above the extraction cost, rather than the discounted value of the cash flow using the mid-case of the commodity price.

In valuing the economic potential of resource projects, we assume that while commodity prices are volatile they revert to an inflation-adjusted, long-run mean. For example, we model Great Western's mix of rare earth elements with a long-term real price of US$13,000 per tonne in current dollars, with deviations from mean normally correcting over three years with a volatility of fifty percent.

What Great Western Minerals could be worth - now and in the future



Source: Objective Capital

Valuation summary (C$m)

	Scenario		
	Base	Pessimistic	Optimistic
Divisions			
- Hoidas Lake project	22.6	3.7	40.4
- GW Technologies	1.6	1.6	1.6
- Other	5.6	5.6	5.6
Total	29.8	10.9	47.6
Less: overhead	3.1	3.1	3.1
Expected value of portfolio	26.7	7.8	44.5
Add: listed investments	3.8	3.8	3.8
Add: starting cash + new funds	7.2	7.2	7.2
Total current value for firm	37.7	18.7	55.5
Less: bank & other debt	0.7	0.7	0.7
Total value to equity claims	37.0	18.1	54.8
Less: alternative equity claims	2.0	0.2	5.2
Ordinary equity holders	35.0	17.8	49.6
Value per share (C$)	**0.35**	**0.18**	**0.49**

Expected value of Great Western Minerals

Scenario	Risked mineable resources (m tonnes)	Hoidas property value (C$m)	GWG Valuation (C$m)	Value per share (C$)
Base case outlook	**1.5**	**22.6**	**35.0**	**0.35**
Value for scenarios of further exploration success				
Full proved up	2.2	48.1	55.5	0.55
Optimistic outlook	2.0	40.4	49.6	0.49
Pessimistic outlook	1.0	3.7	17.8	0.18
Value with no further exploration success				
Current resource estimate	0.5	-3.1	11.2	0.11

Notes:

- *'fully proven up' scenario assumes that current mineable resource estimates are upgraded to 'Proven' status*
- *for further details see Hoidas property section*

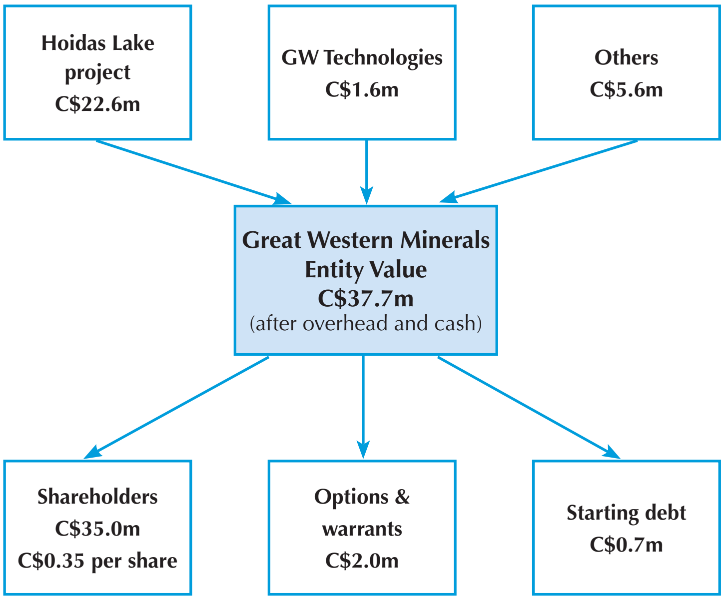
Sensitivity to market assumptions ...

Long run real REE price (US$/t)	12,000	12,500	**13,000**	13,500	14,000
Value (C$/share)	0.28	0.31	**0.35**	0.38	0.42
Time for REE price to revert to mean (years)	1	2	**3**	4	5
Value (C$/share)	0.24	0.29	**0.35**	0.40	0.46
Volatility of REE price (%)	*45%*	***50%***	*55%*	*60%*	*65%*
Value (C$/share)	0.32	**0.35**	0.38	0.41	0.44
Interest rate (%)	*4.0%*	*4.1%*	***4.2%***	*4.3%*	*4.4%*
Value (C$/share)	0.36	0.35	**0.35**	0.35	0.34

Sensitivity to operating assumptions ...

Recovery rate (%)	*73%*	*78%*	***83%***	*88%*	*93%*
Value (C$/share)	0.22	0.29	**0.35**	0.41	0.47
Operating Costs (US$ per tonne)	168	**176**	185	194	203
Value (C$/share)	0.35	**0.35**	0.35	0.35	0.35
Increase in Capital Cost (%)	***+0%***	*+10%*	*+20%*	*+30%*	*+40%*
Value (C$/share)	**0.35**	0.33	0.30	0.28	0.26

Components of Great Western Mineral's entity value



Hoidas Lake valuation (C$m)

Scenarios for exploration success	**Base**	**Optimistic**	**Pessimistic**
Net value of production	**227.2**	227.2	227.2
Expected mining success*	***62%***	*82%*	*41%*
Expected mining success*	**0.6**	0.8	0.4
Add: tax shield on depreciation charge	**19.0**	19.0	19.0
Less: development & operational capex	**95.4**	95.4	95.4
Value of mining operations	**64.4**	108.9	17.1
Probability of reaching mine development	***40%***	*40%*	*40%*
Expected value of deposit	**25.8**	43.6	6.9
Less:			
- expect pre-development costs**	**1.3**	1.3	1.3
- further exploration costs ***	**1.8**	1.8	1.8
Expected value of project	**22.6**	40.4	3.7
effective risk haircut	***83%***	*71%*	*95%*
Ownership	***100%***	*100%*	*100%*
GW Minerals' share	**22.6**	40.4	3.7

* portion of reserve/resource expected to be converted to a mineable resource, probability-weighted for our confidence they will be proven-up

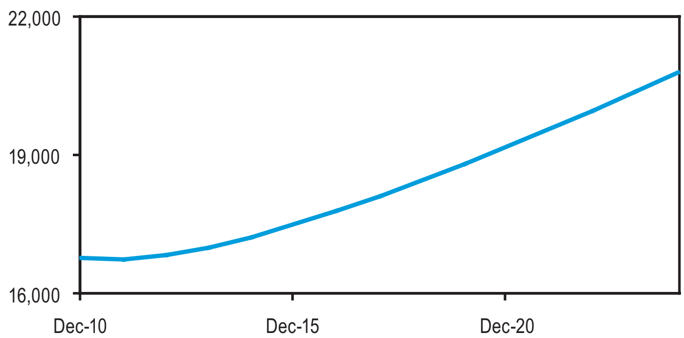
** shown as expected value of being incurred after allowing for liklihood of reaching each development stage

*** present value

Commodity assumptions

REE prices are mean reverting	
Long run level	13,000 US$/tonne
Avg time to revert	3.0 years
Volatility	*50%*
Inflationary price growth	*2.5%*

Expected REE price



Our key assumptions

Great Western's primary exploration asset is the Hoidas Lake property in northern Saskatchewan, Canada. The property has a defined resource, with additional mineralization offering added hypothetical tonnages. Great Western continues to explore the key zones and contemplates a full feasibility study by early 2009. If our hypothetical resource model is correct and then it might be reasonable to assume:

- a hypothetical resource of 3.52 million tonnes, grading 2.7 percent total rare earth elements. Applying appropriate conversion factors, we believe this could translate into a mineable resource of 2.5 million tonnes.
- this would support a fourteen-year mine life, commencing operation early in 2010. We estimate the pre-production capital costs to be in the order of C$90 million, with operating costs averaging C$190 per tonne if mining commences in 2010, escalating annually thereafter at a nominal rate of inflation.
- maintenance capital costs at approximately 6.5 percent of operating expenditures.
- an average rare earth metal recovery rate of 75 percent.

Our results

After allowing for likely economics, exploration potential and development risk, our analysis suggests an expected value of C$22.6m for the Hoidas Lake property. After allowing for corporate overhead, outstanding warrants, and credits for the company's opening cash balance, we value Great Western's ordinary equity at C$35.0m, or C$0.35 per share.

Our analysis suggests that if all hypothetical resources were ultimately proven and developed, the Hoidas Lake property could yield up to C$1.20 per share, but this does not include any exploration or development risk. At the current stage of exploration, our base-case model results in a valuation of C$0.35 per share, with a more optimistic assessment of C$0.49 per share. Our base-case and optimistic outlooks, assuming success at all key milestones through feasibility and permitting, suggest an ultimate base-case valuation of C$0.72 per share and an ultimate optimistic valuation of C$1.06 per share.

We have not allowed for the potential for Great Western to develop its other projects at this time, as Hoidas Lake will be the focus for several years.

Benchmarks

With China dominating the supply of rare earth elements, Great Western Minerals has few peers in its chosen sector. Rare Element Resources Ltd has an historical tonnage of REE oxides on its Bear Lodge project in northeastern Wyoming, USA that appears roughly comparable with Great Western's Hoidas Lake project. The earlier work, which is non-compliant with NI 43-101 standards, outlined 4.3 million tonnes of material averaging 3.8 percent REE oxides, or approximately 160,000 gross in-situ tonnes of REE oxides.

Rare Element Resources' current market capitalization of C$28.4m equates to a value of C$180 per tonne of REE oxides. By comparison, we project the more advanced Hoidas Lake project with a hypothetical 95,000 tonnes of REE oxides, much of which is incorporated into a NI 43-101 mineral resource. Based on our calculated project value of C$22.6m, the value ascribed to the Hoidas Lake REE oxides is C$230 per tonne.

It is important to note that the varying composition of the REE ores results in a wide range of potential ore values, in which grade is not the sole influence. Fortunately, the Hoidas Lake ore ranks at the higher range of average rare earth element oxide values. As of mid-2007, one tonne of Hoidas Lake REE oxide carried an estimated value of US$17,000 per tonne.

This compares with a value of US$9,800 for Molycorp's Mountain Pass in the Southwestern United States. One tonne of oxides from Lynas Corp's Mt. Weld deposit in Western Australia carries a value of US$14,300, still significantly below the Hoidas Lake value. The higher value for the Hoidas Lake oxides is the result of greater proportions of neodymium, europium and praseodymium.

Key Risks

GWMG's Hoidas Lake project is still at the pre-development stage while four of its other projects located in the US are at pre-exploration stages. The Hoidas Lake project faces infrastructure-related challenges given its remote Saskatchewan, Canada location. The project thus would be capital intensive. GWMG's investment case is a function of demand for REE, its current scarcity in locations other than China and the consequent control China enjoys in the REE market at this stage.

Project Risks

Scarcity of REE: future profitability depends on REE scarcity and one large REE discovery would make REE no longer rare thus weakening GWMG's investment case although this will depend on the exact mix of elements in any new discoveries. The company also has a 10.04 percent interest in Great Western Diamond Corporation, which is currently the subject of a friendly takeover bid by Vaaldiam Resources Ltd, on the basis of 0.45 Vaaldiam share for each share of Great Western Diamonds. If successful, GWMG would hold a significant interest in Vaaldiam, an active diamond producer and explorer in Brazil and Saskatchewan.

GWMG's mining success

GWMG's profitability and valuation is a function of its exploration success and resource potential. Relatively low grades and differences in the mix of elements at the Hoidas Lake property may lead to lower than expected output, high operating costs, low earnings and low valuations.

Implementation ability

The ability of the company to successfully develop its assets depends on the availability of infrastructure. GWMG may face considerable challenges during the development of its Hoidas Lake property. In addition, production activities could be hampered by teething problems related to technical and other operational issues during its development efforts, leading to lower than expected output and higher operating expenses.

Higher operating costs

In the face of rising energy and metals prices, operating expenses related to both exploration and development ventures have been on the rise. Currently there is a short supply of labour, geologists and other professionals, including support services. Such scarcities could lead to higher operating expenses and thus undermine valuations.

Dependence on key personnel

The success of GWMG depends heavily on its management team. Continued availability of their services is not necessarily guaranteed and the loss of key personnel could lead to a perceived disruption of operations and exploration progress.

Environmental

Environmental regulations

Stringent environmental regulations related to mining, particularly in North America, could pose unforeseen operational challenges. Strict environmental laws could also lead to higher decommissioning costs and GWMG could be required to satisfy more rigorous (and hence costly) environmental regulations in place at the time of decommissioning its mines.

Market and Economic

Market Risk

Future profitability of GWMG depends heavily on the price of the basket of elements in its deposit. A fall in the price of the overall value of its key metals would have a profound impact on its valuation as production costs could exceed revenues. Such a price decline is a possibility should China decide to remove her self-imposed export quota and deliberately increase supply in an attempt to deter the entry of new competitors such as GWMG. Alternately, high prices will drive increased exploration and development of REE deposits.

Great Western Minerals Group Ltd is a Canadian junior mining company, listed on the TSX Venture Exchange (TSX-V: GWG) and the OTC Pink Sheets (GWMGF). The company is engaged in the exploration and development of rare-earth mineral assets in Saskatchewan, Canada and Utah, USA. The company also has two copper/gold projects in the United States, one in Nevada and the other in California.

Corporate entity

Great Western Minerals Group operates through the parent company and a wholly owned subsidiary – Great Western Technologies Inc. Exploration and development work is carried out in the parent company, which is engaged in the development of its REE projects in Saskatchewan and Utah. It also holds copper-gold licenses in California and Nevada and a nickel-cobalt license in Oregon. Great Western Technologies, Inc is the processing arm of GWMG and owns a processing plant for specialty metals. The company also has a ten percent interest in Great Western Diamond Corporation, which has two diamond bearing kimberlites in central Saskatchewan.

Corporate strategy

GWMG is a play on REE and is expected to benefit from the global scarcity of rare earth minerals. In addition, REE consumers in North America are seeking to reduce their dependence on China for these materials. Rare earth ores are difficult to find in economic quantities and many of the existing economic deposits are located in China. As a result, China supplies almost 97 percent of the world's consumption of rare earth elements.

GWMG intends to develop a vertically-integrated REE project in North America and aims to establish itself as an entity with considerable influence over the REE market. Its Hoidas Lake project in Saskatchewan is a critical element in this endeavour as its development potential provides a bargaining chip for the company with both Chinese REE producers and North American REE consumers. As GWMG continues to prove resource potential at the Hoidas Lake project it could challenge Chinese dominance in the REE market with access to both its own raw materials and major, local end-user markets.

As such, its fully-owned REE processing company, Great Western Technologies, plays a pivotal role in the company's overall strategy. GWTI currently sources REE from existing suppliers, including those in China, and has strong relationships with major end-users, such as automobile manufacturers. GWTI has established a market for itself and is in a better position than Chinese REE manufacturers in this sector due to its industry contacts. Conditional on GWTI obtaining additional key contracts, the subsidiary could generate C$5m in annual revenue beyond 2009, which could make it profitable by 2009.

GWMG's corporate strategy of establishing a fully integrated operation is meant to exercise control on both supply and consumption sides of the world's REE equation. Its processing facility in close proximity to one of the world's largest REE consumption market helps GWMG establish itself as a preferred supplier of REE. Its development endeavours at Hoidas Lake allow the company to keep Chinese suppliers in check since GWMG would have the ability to source its own REE raw materials to be processed in its facilities at GWT. GWMG's corporate strategy essentially establishes links to both the supply and consumption sides as a preferred supplier of choice and a buyer of necessity.

Property outline

The company has five properties on hand:

1) **Hoidas Lake, Saskatchewan, Canada.** This property is fifty km from Uranium City and is accessible by float-or ski-equipped aircraft. The project area covers a 10-kilometre strike length of the Black Bay fault and hosts over thirty rare earth showings.

2) **Deep Sands Project, Utah, USA.** A heavy mineral sands project, the property covers over 17,000 hectares of magnetite-rare earth-bearing sands.

3) **Chuckwalla Copper/Gold Project, California, USA.** The project is located in southeastern California and covers an extensive area of surface gold and copper mineralization that has undergone little systematic exploration.

4) **Copper Hill Project, Nevada, USA.** The Copper Hill property covers a large area in southwestern Nevada near the town of Searchlight. An area of historic gold and copper production, GWMG believes the area has high potential for porphyry-style copper deposits and epithermal gold deposits.

5) **Crescent Project, Oregon, USA.** The Crescent project is currently under review. It covers significant nickel-cobalt-bearing laterites first explored 40 years ago.

Rare earth deposits are rarely found in economic quantities

It is said that rare earth elements are not really rare as REE such as thulium and lutetium are 200 times more common than metals such as gold or lead. Other rare earth elements are as commonly found as industrial metals such as chromium, copper, zinc, nickel, molybdenum and tin. What is rare in the case of REE compared with other metals is discoveries in quantities large enough to justify commercial exploitation. REE are usually found in economic quantities in the minerals monazite and bastnaesite.

Rare earth elements have varied uses

The importance of REE becomes apparent when their uses are taken into consideration. Uses range from everyday household items such as rechargeable cell phone batteries to very high technology applications such as super-alloys used in the aerospace industry. The applications of the various rare earth elements vary greatly depending on the specificity of the element.

Historically about half of REE production was for catalysts in the petroleum and automotive industries. Cerium is a critical component in both gasoline and newer diesel catalytic converters in automobiles and trucks where it is used to protect platinum metals used in the converter from oxidation. However, by 2005 the share of REE used for catalysts had dropped to a little over one-fifth of total usage due to sharp increases in REE usage in other areas.

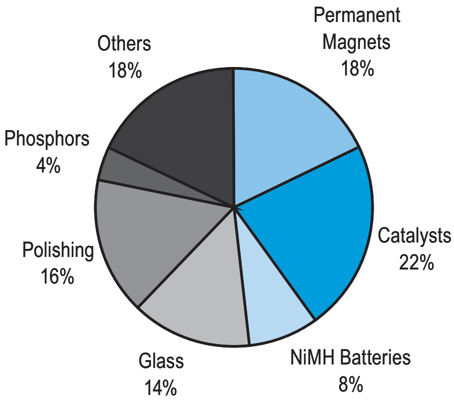
One of the main areas where the consumption of REE has increased is the production of magnets. REE permanent magnets are considered to be the world's strongest magnets. For example, neodymium magnets are a key element in electric motors and regenerative braking systems used in hybrid vehicles. These magnets are also used in the manufacture of hard disk drives, CD-ROMs, DVDs, cell phones and iPods.

Names and symbols of the REE

La	Lanthanum	Tb	Terbium
Ce	Cerium	Dy	Dysprosium
Pr	Praseodymium	Ho	Holmium
Nd	Neodymium	Er	Erbium
Pm	Promethium	Tm	Thulium
Sm	Samarium	Yb	Ytterbium
Eu	Europium	Lu	Lutetium
Gd	Gadolinium	Y	Yttrium

Source: US Geological Survey

REE Applications



Source: BCC Research

Summary of rare earth applications, demand, and growth drivers

Rare Earths Application	Rare Earths Elements	2005 Rare Earths Demand	Growth Drivers
Magnets	**Nd**, Pr, Dy, Tb, Sm	17,170 tons	• Hybrid vehicle electric motors • Electronic power steering • Other small electric motors • Air conditioners • Generators • Hard Disk Drives
NiMH Batteries	**La**, Ce, Pr, Nd	7,200 tons	• Hybrid vehicle batteries • Rechargeable batteries
Auto Catalysis	**Ce**, La, Nd	5,830 tons	• Gasoline and hybrids, diesel fuel additive • Tightening of automotive emission standards globally
Fluid Cracking Catalysis	**La**, Ce, Pr, Nd	15,400 tons	• Oil production • Increased use for sour oils
Phosphors	**Eu**, **Y**, **Tb**, La, Dy, Ce, Pr, Gd	4,007 tons	• LCD TVs and monitors • Plasma TVs and displays • Energy efficient compact fluorescent lights
Polishing Powders	**Ce**, **La**, Pr, mixed	15,150 tons	• LCD TVs and monitors • Plasma TVs and displays • Silicon wafers and chips
Glass Additives	**Ce**, **La**, Nd, Er, Gd, Yb	13,590 tons	• Optical glass for digital camera • Fibre optics

Source: BCC Research

Rechargeable batteries are also emerging as a growing application for REE. NiMH batteries used largely in hybrid vehicles contain cerium and lanthanum. Demand for these batteries is expected to grow exponentially along with demand for cerium and lanthanum REE.

The REEs europium, yttrium, and terbium contained in phosphors are used in television screens, computer monitors and other visual displays that employ cathode ray tubes, liquid crystal displays or plasma display panel technologies. In addition, microchips used in electronics are polished with cerium.

Global rare earth reserves (metric tons - REO Equivalent)				
Country	**Published Reserves**	**Economic at Current Prices**	**Estimated Recovery Rates**	**Net Recoverable Reserves**
China	43,000,000		10% to 50%	4,650,000
United States	13,000,000	—	NA	—
India	1,100,000	11,000,000	*75%*	825,000
Australia	5,200,000	917,000	*63%*	577,000
Brazil	109,000	—	NA	—
Russia and CIS	19,000,000	unknown	unknown	unknown
Canada	940,000	—	NA	—
South Afruca	390,000	—	NA	—
Malaysia	30,000	—	NA	—
Vietnam	9,000,000	—	NA	—
Other Countries	9,000,000	—	NA	—
Total	100,769,000			6,052,000

Source: U.S. Geological Survey; Rhodia; BCC Research

A number of triggers could spur rare earth demand growth

The auto sector is expected to be one of the major growth drivers for the consumption of rare earth oxides. There are two evolving trends in automobiles – the shift from hydraulic systems to electronic systems and the increased use of NiMH rechargeable batteries in hybrid vehicles. The increased demand for hybrid vehicles is one of the major drivers of projected consumption increases for REE. In addition, GWMG's ability to substitute supply with its own low cost facility in North America provides them with a distinct competitive advantage.

REE consumers require a high purity in mixed and separated rare earth products to meet demand for certain elements. Strong demand is expected for cerium in automotive catalysts, lanthanum in NiMH batteries, and elements such as neodymium, praseodymium, dysprosium and terbium that are used to produce neo-magnets. The growth in demand for automotive catalytic converters and permanent magnets is also expected to keep demand for cerium and neodymium very robust until 2009.

Worldwide production of NiMH battery alloy

(metric tons)

Application	2,004	2005	05Vs04	2,010	CAGR 2005-2010
Retail & consumer market	12,350	11,600	-6%	9,700	*-3.50%*
Hybrid Vehicles	8,000	12,000	50%	79,600	*46%*
Total NiMH alloy	20,350	23,600		89,300	

Sources: Avicenne Development, BCC Research

Rare earth pricing

Historical and forecast pricing of basic oxides

Name	Specification	Unit	Mar-05	Mar-06	2007-2008E
La oxide	99% min	US$/mt	1,400	2,150	4,000-5,500
Ce oxide	99% min	US$/mt	1,200	1,600	2,000-2,500
Nd oxide	99% min	US$/mt	5,900	10,350	15,000-20,000
Pr oxide	99% min	US$/mt	7,550	10,300	15,000-20,000
Sm oxide	99% min	US$/mt	2,600	2,500	2,250-2,500
Dy oxide	99% min	US$/kg	35	64	100-150
Eu oxide	99% min	US$/kg	290	250	275-350
Tb oxide	99% min	US$/kg	300	410	450-600

Source: Lynas, Rhodia

There is also growing use of REE in metallurgical applications. They include the production of super-alloys for the aerospace and building industries and in the superconductor industry. These uses are increasingly driving demand.

Global demand for rare earth oxides was 90,000 tonnes in 2005 and is growing at approximately eight percent to ten percent per annum. Worldwide demand is expected to reach 150,000 to 155,000 tonnes by 2010. Demand for REE in 2020-2025 is expected to reach 2 million tonnes a year. Of this, 1.5 million tonnes of REE products are expected to be required by hydrogen-fuelled vehicles, hybrid vehicles and electric vehicles, each accounting for roughly half a million tonnes of rare earth products.

China is the dominant player in REE

China is the dominant supplier of REE products. Approximately 97 percent of the world's supply of REE comes from China with 77 percent coming from a single mine – the Bayan Obo iron-niobium rare earth deposit in Inner Mongolia. Another major Chinese REE producing area is ion-absorption ores in the tropical area of Southern China. These ores are prized because of the ease with which they can be mined and the quality and types of REE extracted.

REE demand for major applications (in tonnes)

	2004	2005	2010
Permanent magnets	13,650	17,170	33,650
NiMH batteries	6,200	7,200	27,300
Catalysts	20,440	21,230	25,960
Phosphorus	3,652	4,007	7,512
Polishing powders	14,100	15,150	23,500
Glass additives	13,440	13,590	13,990

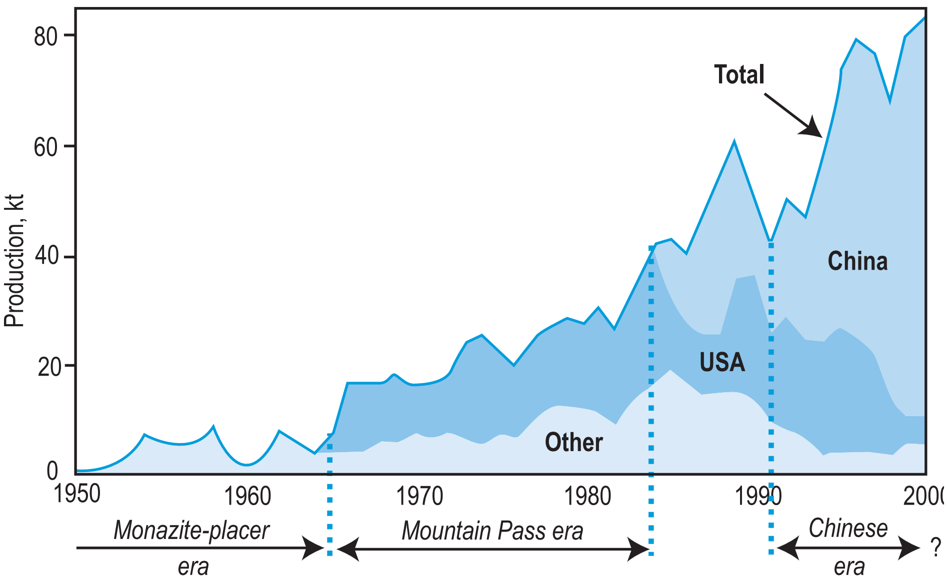
Source: MWGM

As demand for REE products increases with the growing shift from conventional fuel- driven vehicles to unconventional ones such as hydrogen, hybrid and electric vehicles, China's ability to service this increased demand is expected to decline and other REE sources will need to be developed. China's share of REE supply is also expected to fall from the current 97 percent to fifty percent between 2010 and 2020, followed by a further decline to 35 percent of global demand or roughly 700,000 tons by 2025.

Owing to China's massive expansion drive in the REE space, the period from the early 1990s to date is referred to as the Chinese era in REE production. China currently has an over-capacity in REE production and separation, but lags behind in its marketing capabilities. REE treatment capacity has already crossed 200,000 tonnes. Smelting and separation capacity has also reached 200,000 tonnes, which is almost twice the total current global demand.

The level of over-capacity of REE production in China and the fragmented nature of Chinese REE companies (where there are a large number of competing entities supplying the export market) has resulted in price competition. The Chinese government has reacted to this by imposing export quotas and controlling the flow of material out of China. This makes the need to establish REE suppliers outside China a matter of importance.

Global production of rare earth oxides (1950-2000)



Source: US Geological Survey

Control of high technology industries lies in the balance

The United States used to produce six percent of the world's supply of REE from a single mine – Mountain Pass – in the upper Mojave Desert in California, which was the only producing mine in North America. The Mountain Pass mine was eventually closed due to its inability to compete with China in terms of cost of production as well as environmental concerns. Until that time, the US was entirely self-sufficient in REE products but has since become completely dependent on China for its requirements.

Declining influence of the west, especially the United States, over control of the production of REE has prompted concern about future control of high technology industries. Of particular concern is the defence industry, especially jet fighter engines and other aircraft components; guided missile systems; electronic counter measure systems; anti-missile systems and satellite communications systems, where REE play a significant role. In addition, the electronics industry depends heavily on REE. Finally, the automobile industry with its shift towards hybrid, hydrogen fuel-cell and electric cars needs to have reliable and a diverse base of REE suppliers.

Global REE supply patterns have seen a dramatic shift in just a decade with supply dominance shifting from the United States to China, largely due to the latter's lower production costs. In addition to environmental concerns, high costs in the west make operating REE projects challenging. The environmental issues arise from the fact that monazite, the single most common REE mineral, contains elevated elements of thorium, which is a radioactive element. Thorium is also accompanied by other highly radioactive elements, such as radium, which accumulate during processing. Concerns about radioactivity hazards have largely eliminated monazite as a source of REE, thus severely restricting its availability in the US.

No known substitutes for rare earth elements

Meanwhile, REE have achieved a higher level of technological significance than ever before. Their high technology and environmental applications have made demand relatively inelastic. At the same time there are no known comparable substitutes for REE, especially in high technology applications.

A rare opportunity for GWMG

Against this backdrop, GWMG's efforts to develop a fully integrated REE operation with a new mine in North America present a considerable advantage as well as significant value to the high technology industry globally. The main source of value accruing to the company is its potential to reduce the dependence of consuming industries in North America on one single producer – China. Thus GWMG's REE project in Canada is timely and provides a rare opportunity to create significant value.

Availability and value addition determine pricing of rare earth elements

There is no single price for REE as prices for each element vary according to their abundance in nature and demand from industry. Price also depends on the level of processing to which the REE has been subjected. Once REE ore is mined and concentrated it is further processed into a rare earth powder. If need be that rare earth mixture can be separated into individual REE such as cerium oxide and others that have specific applications in different industries. The value of rare earth powders depends on purity, lot size and how it was refined.

Cerium oxide is one of the most common REE and is thus relatively inexpensive. Cerium also has a plethora of applications. Europium, on the other hand, has a number of applications in high technology, especially in electronics (LCDs, colour cathode ray tubes, etc) but is not easily available, making it a more expensive element.

Overall however, the scarcity of REE is expected to drive prices higher. Demand for most of the rare earths is expected to grow over the next five years at ten percent per annum, while supply is expected to be limited within China to lower than current production levels. According to industry sources such as the USGS and BCC Research, the value of a ton of rare earths is expected to increase by approximately forty percent and eighty percent by 2008. In 2007, prices increased by over fifty percent to date.

Top 10 Chinese rare earth product exporters

- Sinosteel Corporation
- China Minmetals Non-Ferrous Metals Co
- China Nuclear Energy Industry Corporation
- Beijing Founded Import & Export Co Ltd
- Sinotrans International Trading Company
- Shanghai Qifan Import and Export Company
- Shanghai Metals and Minerals Youli International Trade Co Ltd
- Shanghai Juntai International Trade Co Ltd
- China Metallurgical Import and Export Guangdong Company
- JMET Corp, Jiagsi Sainty International Group

Source: USGS

Hoidas Lake, Saskatchewan, Canada

The property covers more than thirty known rare earth showings along a fault structure within a ten-kilometre strike length. Of the thirty showings, only one (the JAK zone) has seen development work so far. The others are yet to be investigated for REE potential.

Geology and mineralisation

The Hoidas Lake property lies within the Northern Rae Geological Province, which consists of blocks of ancient granitic rock separated by major faults. All of the REE prospects are present in the minerals apatite and allanite, and occur in veins that parallel the Nisikkatch-Hoidas Fault.

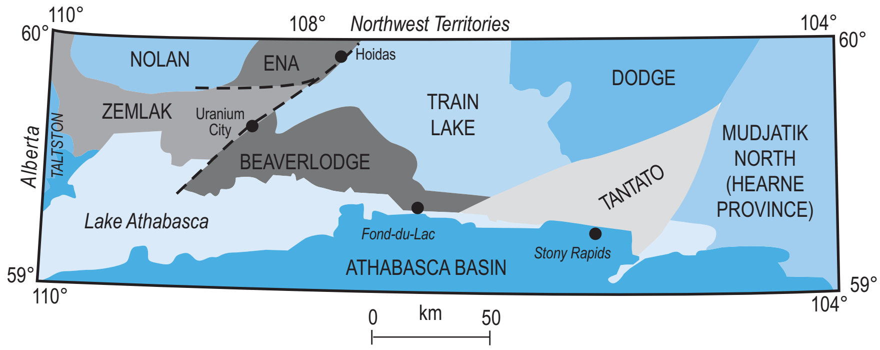
Exploration and development

GWMG's exploration programmes to date include:

- trenching;
- geological mapping and prospecting;
- geophysics;
- bulk sampling;
- diamond drilling (92 holes/8,525 metres to date).

Exploration and development has established continuity of the JAK zone over a length of 750 metres to a depth of 150 metres, with widths from three to twelve metres. The zone is open to the northeast and southwest and at depth. Initial trenching on the JAK zone carried out by the company in 1999 confirmed the presence of significant rare earth mineralization. Drilling commenced in 2001 and by 2006, seventy drill holes had been completed in the JAK zone. During 2006 an additional 22 holes were drilled in and adjacent to the JAK zone, with a concentration in the northern portion of the zone, which covers 325 metres of strike length with the mineralised, veins exhibiting excellent widths and 125 metres of depth. Each drill hole, drilled at an angle to the west, intersected with one or more of the mineralised veins. The last fifteen holes produced an average total rare earth oxide (TREO) level of 2.91 percent on assaying. The latest drill results also showed vein intersections at a width of four to five metres and in a number of intersections grading over 3.0 percent TREO with wide higher grade sections within the veins of five-to-six-percent TREO.

Hoidas Lake property



Source: GWMG

Total tabulated resource data				
Category	**Cut-Off Grade WT.% TREE + Y**	**Tonnes**	**TREE + Y WT.%**	**TREO* + Y2O3 WT.%**
Measured	1.5	80,000	2.115	2.534
Indicated	1.5	1,070,000	2.380	2.852
Total		1,150,000	2.362	2.830
Inferred	1.5	371,000	2.154	2.581

Source: GWMG

Besides trenching, the exploration and development programme on the property has covered geological mapping and prospecting, geophysics, bulk sampling and diamond drilling. Wardrop Engineering, Inc was retained to complete a NI 43-101 compliant resource model and technical report. Based on its studies, Wardrop recommended that the company continue with its activities on the site and focus on metallurgical work.

Resources estimated by Wardrop Engineering, Inc using a 1.5 percent TREO cut-off grade, are shown above.

Hoidas risked mineable resource assumptions

Reserves		**Probability**	**Tonnes** (m)
Proven		*90%*	0
Probable		*50%*	0
Total		***0%***	**0**
Resources	**Conversion**	**Probability**	**Tonnes** (m)
Measured	*70%*	*90%*	0.1
Indicated	*70%*	*50%*	1.1
Inferred	*70%*	*10%*	0.4
Hypothesised	*70%*	*0%*	2.0
Total	***70%***	***18%***	**3.5**
Mineable resource			**Tonnes** (m)
Mineable resource			**2.5**
Risked mineable resource			**Tonnes** (m)
Current classification			0.5
Scenarios for exploration success			
- base case			1.5
- optimistic case			2.0
- pessimistic case			1.0

Notes:

- *mineable resource have been estimated as reserves plus the portion of resources that would be expected to convert to resources considering deposit type and likely grade variability*
- *risked mineable resource refers to the various classes of resource/reserve weighted by their assumed confidence level*

Source: Objective Capital

Hoidas Lake project - hypothetical proforma profit and loss

	Year ending December												
Proforma P&L (C$m)	**'07**	**'08**	**'09**	**'10**	**'11**	**'12**	**'13**	**'14**	**'15**	**'16**	**'17**	**'18**	**'19**
Gross revenues	**0.0**	**0.0**	**0.0**	**76.1**	**73.8**	**72.0**	**72.9**	**71.7**	**70.7**	**69.6**	**71.2**	**72.9**	**74.7**
Operating costs	0.0	0.0	0.0	34.0	34.3	34.9	35.8	36.7	37.6	38.6	39.5	40.5	41.5
Operating profit	**0.0**	**0.0**	**0.0**	**42.1**	**39.5**	**37.0**	**37.1**	**35.0**	**33.1**	**31.1**	**31.7**	**32.4**	**33.2**
Depreciation	0.0	0.0	0.0	9.6	9.4	9.2	9.3	9.1	9.0	8.9	9.1	9.3	9.5
Administrative costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.0	0.0	0.0	51.7	48.8	46.2	46.4	44.2	42.0	39.9	40.8	41.7	42.7
Assumptions													
Capital costs (C$m)	0.0	0.0	90.0	2.2	2.2	2.3	2.3	2.4	2.4	2.5	2.6	2.6	2.7
Tonnes ore processed (millions)	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Head grade				*3.2%*	*3.1%*	*3.0%*	*3.0%*	*2.9%*	*2.8%*	*2.7%*	*2.7%*	*2.7%*	*2.7%*
Operating cost per milled tonne (C$/t)				190	195	200	205	210	215	220	226	231	237

Other assumptions

Paid recovery 75%, royalties 2%

Source: Objective Capital

Deep Sands Rare Earth project – Utah, USA

Great Western holds a 25-percent interest in the rare earth element component of the Deep Sands property, with the right to earn a 100-percent interest. The 17,100-hectare property is immediately south of Callao, Utah, and contains mineral sands known to persist to depths of at least eighty metres.

Geology and mineralization

These sands contain rare earth elements in the form of monazite, xenotime, bastnaesite and apatite, as well as significant iron in the form of magnetite. The property lies within the ancient Lake Bonneville basin and the region was an inland sea for much of the last 15 million years. The detrital deposits covered by the property relate to three of the highest recorded lake levels over the last 130,000 years, with the erosional debris becoming distributed, worked and reworked as the shorelines advanced and retreated. Magnetite and other heavy minerals, including rare earth minerals, were concentrated into layers and lenses now located in the paleo-beaches on the property.

The paleo-beach material is typical of dynamic beach deposits with silica predominating in the lensoid, stratified sand, silt and gravel. Simple field tests indicate there are significant amounts of recoverable magnetite throughout the paleo-beach areas. Laboratory testing indicated significant rare earth minerals were also present in the heavy mineral assemblage.

Exploration and development

Very little work regarding the heavy mineral sand potential of the area occurred in the past. Great Western took random samples covering approximately 8,000 hectares and assay results from several sample batches yielded TREO values of 0.14 percent to 0.80 percent. The property contains no defined REE resources, but the tonnage potential appears huge, possibly in the billions of tonnes.

Accordingly, Great Western is budgeting $500,000 for the first phase of work, which is now under way. The work includes systematic mapping and sampling; detailed analysis of the samples to identify minerals present in the sands; assaying for all potentially economic elements including rare earths; and prioritizing target areas for follow-up drilling during a second phase of exploration. The company anticipates completing the first phase by the end of the year and the second phase drilling plan should be finalised by early 2008. The goal of the programmes is the completion of an NI 43-101 resource estimate in preparation for feasibility work.

Chuckwalla Copper/Gold Project, California, USA

GWMG fully owns the Chuckwalla Project in south-eastern California, covering an extensive area of surface gold and copper mineralization that has undergone little systematic exploration. The property is considered to have excellent potential to host a high-grade mining operation that would conform to California's stringent environmental requirements.

Geology and mineralization

The host rocks of the mineralization of Chuckwalla belong to the Upper Plate of the Sacramento Mountain Detachment Fault and show evidence of complex faulting and brittle fracturing. Lithologies in the Upper Plate Sequence include tertiary-age fanglomerate and andesites. Two units of fanglomerate were noted:

- polymictic, volcanic clast dominated fanglomerate (hosts the bulk of the mineralization);
- granitic clast dominated fanglomerate.

The Lower Plate Sequence includes mylonite, muscovite schist and quartz monzonite. The detachment fault area is characterized by variably mylonitized rock.

Mineralization occupies faults and shears, cutting both Upper Plate lithologies as fracture veinlets and irregular pinch-and-swell veins ranging from 2.5 to 35 centimetres. Veins contain varying amounts of chrysocolla, malachite, hematite, chalcedonic quartz, calcite, barite, and chalcocite. Visible gold is locally present. Santa Fe Pacific Gold Corp defined an area with the potential to contain 26 million tonnes grading over three percent copper with a 0.5-percent cut-off. In addition, a significant percentage of its surface sampling returned gold assays over 0.2 ounces per ton.

Exploration and development

Exploration on the property occurred between the 1920s and 1970s. Major staking activity took place during the 1970s and 1980s ,following the discovery of the nearby Picacho, Castle Mountain, and Mesquite gold mines. In 1987-88, Echo Bay acquired the property and tested an area of anomalous gold/copper mineralization. Santa Fe Pacific Gold Corporation acquired the property in 1991 and targeted stock works of high-grade copper/gold oxide mineralization. Drilling was recommended but never undertaken due to the takeover of Santa Fe by Newmont Mining Corporation.

GWMG began work on the property in 2004 and since has done the following work:

- established a ground grid;
- created detailed geological mapping;
- created detailed surface sampling;
- completed a soil geochemistry survey;
- completed a Mobile Metal Ion (MMI) survey;
- completed a ground geophysical survey;
- selected sites for drilling and received required permits.

Chuckwalla remains at an early stage of development.

Copper Hill Project, Nevada, USA

The Copper Hill property covers a large area in south-western Nevada near the town of Searchlight. An area of historic gold and copper production, GWMG believes the area to have high potential for both porphyry-style copper deposits and epithermal gold deposits.

Geology and mineralization

Except for a small outcrop of Precambrian granite, the Searchlight area is underlain by igneous rocks of the tertiary age. The oldest of these is andesite, which is intruded by dikes and masses of andesite porphyry, later intruded by a considerable mass of quartz monzonite. Later still, the andesite was altered to hornfels near the quartz monzonite contact. Subsequent fracturing of the hornfels permitted the rise of vein-forming solutions and the emplacement of metalliferous veins in the andesite.

Most of the ore minerals in the area other than gold are largely oxidized lead, zinc, and copper. Reported production from the Searchlight area between 1902 and 1962 totalled 250,000 ounces of gold, 350,000 ounces of silver, 756,000 pounds of copper, and 1,900,000 pounds of lead.

Exploration and development

GWMG started work on the Copper Hill project in 2006 and the programme has included:

- establishing a ground grid;
- a Mobile Metal Ion survey;
- an orientation Bulk Leach Extractable Gold (BLEG) survey;
- a ground magnetic geophysical survey;
- a satellite imagery study focusing on mineral alteration haloes.

Results from the MMI survey (1,235 samples) identified two significant anomalies. The first is an extensive, five-kilometre-long by 1.5-kilometre-wide, high-contrast gold anomaly with associated lead and zinc in a largely pediment covered area. This feature trends northerly, occupies the eastern portion of the survey area and is interpreted to be the MMI geochemical signature of a major structural zone mineralised with gold and base metals.

The second anomalous zone is a coincident copper-molybdenum-gold-silver-cobalt response. This anomaly is approximately circular to ovoid in shape (approximately 1.5 kilometres by 1.0 kilometre) and is a discrete response separate and distinct from the very large Au anomaly to the east. The constituent elements in the circular anomaly are indicative of a buried porphyry copper/gold-type target.

Exploration plans over the next year include further ground geophysics to gain a better understanding of target depth, followed by drill target selection, permitting and drilling.

Copper Hill project location map

Source: GWMG

Profit and loss

Year ending December (C$m)	2006A	2007E	2008E	2009E	2010E
Revenues	**0.7**	**1.0**	**1.5**	**2.8**	**80.1**
COGS	—	(1.3)	(1.4)	(2.0)	(30.3)
Gross profits	0.7	(0.3)	0.1	0.8	49.8
Administrative Costs	(4.3)	(0.3)	(0.4)	(0.4)	(0.4)
EBITDTA	**(3.6)**	**(0.6)**	**(0.3)**	**0.5**	**49.5**
Depreciation & amortisation	—	0.2	0.2	1.0	9.6
Writedowns and Minority interests	0.6	—	—	—	—
EBIT	(2.9)	(0.4)	(0.0)	1.5	59.1
Interest	—	—	(0.6)	(3.2)	(3.8)
EBT	(2.9)	(0.4)	(0.7)	(1.8)	55.3
Tax paid	0.9	0.1	0.1	(0.1)	(10.4)
Earnings	**(2.0)**	**(0.3)**	**(0.6)**	**(1.9)**	**44.9**
Dividends	—	—	—	—	—
Retained earnings	**(2.0)**	**(0.3)**	**(0.6)**	**(1.9)**	**44.9**

Cashflow statement

Year ending December (C$m)	2006A	2007E	2008E	2009E	2010E
EBIT	(2.9)	(0.4)	(0.0)	1.5	59.1
Depreciation	1.0	0.2	0.2	1.0	9.6
Gains & Writedowns	(0.6)	—	(0.1)	(0.1)	—
(Increase) decrease in inventory	—	(0.1)	(0.2)	(0.2)	0.2
Increase (decrease) in payables	0.4	(0.3)	(0.1)	0.1	0.1
Net cash from Ops	**(2.2)**	**(0.6)**	**(0.2)**	**2.2**	**69.0**
Tax paid	(0.9)	0.1	0.1	(0.1)	(10.4)
Dividends	—	—	—	—	—
Net interest recieved (paid)	—	—	(0.6)	(3.2)	(3.8)
New equity	5.8	13.0	15.0	5.5	—
New (deposits) borrowings	—	—	15.0	50.0	(35.0)
Capital expenditure	(1.6)	(6.0)	—	(90.0)	(2.2)
Net cash from financing	**3.3**	**7.1**	**29.5**	**(37.8)**	**(51.4)**
Net increase (decrease) in cash	**1.2**	**6.5**	**29.3**	**(35.6)**	**17.6**

Balance sheet

Year ending December (C$m)	2006A	2007E	2008E	2009E	2010E
Fixed assets at NAV	5.8	11.6	11.4	100.4	93.0
Cash	0.3	6.8	36.1	0.6	18.2
Receivables	0.1	0.1	0.1	0.2	0.2
Inventory	—	0.1	0.3	0.5	0.3
Less Payables	(0.4)	(0.2)	(0.1)	(0.2)	(0.3)
Net current assets	**(0.1)**	**6.8**	**36.5**	**1.1**	**18.4**
Less loans	—	—	(15.0)	(65.0)	(30.0)
Capital employed	**5.8**	**18.4**	**32.9**	**36.5**	**81.4**
Represented by	—	—	—	—	—
Shares in issue	2.6	15.6	30.6	36.1	36.1
Add retained profit	—	—	—	—	—
Prior periods	—	3.2	2.9	2.3	0.5
This period	3.2	(0.3)	(0.6)	(1.9)	44.9
Shareholders' funds	**5.8**	**18.4**	**32.9**	**36.5**	**81.4**

Source: Objective Capital

Appendix: Management

Board

Gary L. Billingsley, *Chairman and Chief Financial Officer,* is a professional engineer, geoscientist and chartered accountant with over 35 years of experience in the resource sector, including 30 years in Saskatchewan. He worked as a mine geologist for several companies and has been a director or officer of public companies since the early 1980s, commencing with Claude Resources Inc, a Saskatchewan-based gold miner. He has been a director and officer of Great Western Minerals Group Ltd for the past eight years and is a director of Wescan Goldfields Inc. During the early 1990s, Mr. Billingsley worked as a consultant to Great Western and he led a team that discovered two diamond deposits in central Saskatchewan. In addition to his role as chairman and chief financial officer, Mr. Billingsley currently oversees the Hoidas Lake project for Great Western.

James B. Engdahl, *President,* has more than twenty years of experience in corporate finance at senior level. He is a former Vice President of Barclays Bank of Canada and served as President, CEO, and director of Pacific & Western Trust, President and Director of Shore Gold Inc, and Vice President of Finance and Director of Claude Resources Inc. More recently, he was the Regional Advisory Partner of the corporate finance arm of one of Western Canada's largest accounting firms. He was also a managing partner at Cascadia Ventures Inc, a corporate financing and consulting group and was involved in financing two producing gold mines in Saskatchewan. He currently sits on the Board of Directors of Formation Capital Inc, a TSE-listed company currently bringing a cobalt-copper mine into production in the United States.

Walter Benecki, *Director,* is currently a consultant to the magnetics industry and has previously served as President of the Magnetic Materials Producers Association (now the International Magnetics Association). A graduate of Pennsylvania State University with an MSc in Ceramic Engineering, Mr Benecki was initially a Development Engineer with RCA, then spent many years in various positions with Carborundum, General Electric, and Arnold Engineering (a US-based magnetic materials and components company), where he was appointed President in 1989.

Mark Ellis, *Director,* is a US citizen, the current President and CEO of Great Western Technologies Inc (GWTI). His background in the dry cell battery industry extends to the early 1980s, when he was engaged in the production of automation equipment for battery manufacturers in Asia, Europe, and the Middle East to the 1990s, as Executive Vice President of RD Systems (a leader in dry cell battery technology). The US National Republican Congressional Committee has appointed Mr Ellis to serve on its Business Advisory Council (BAC).

Robert Quinn, *Director,* based in Houston, Texas, is a founding member of Quinn & Brooks LLP, and Managing Director and a founding principal of The Mined Land Co. With more than 25 years of legal and management experience in the mining industry, Mr Quinn's experience includes working on more than $2 billion in mergers and acquisitions, over $600 million in financing, and over $200 million in engineering and construction contracts.

Rupert Allan, *Director,* is a Professional Engineer and Professional Geoscientist with 38 years of technical and management experience in Canada and globally with junior mining and exploration companies engaged in search and development of base and precious metals, diamonds, and uranium. Currently he is the President and CEO of Skeena Resources Limited, which is active with gold exploration projects in Canada and in Latin America. His experience is enhanced by directorships with many Canadian and international mineral exploration companies and consulting firms.

Ian McNaughton, *Director,* a Fellow, Institute of Canadian Bankers, completed a successful career spanning more than three and a half decades with TD Bank, one of Canada's largest banking and financial institutions where he achieved the level of Vice President and Manager Commercial Banking. He retired in October 2004 as Manager, Commercial Banking in Saskatoon.

Technical Advisory Committee

Jeffrey B. Austin, *Director,* is a graduate of the University of British Columbia (UBC) in Mineral Process Engineering. He has been Chairman of the Canadian Mineral Processors (a technical division of The Canadian Institute of Mining, Metallurgy, and Petroleum) and is currently President of International Metallurgical and Environmental Inc and Western Canada Limestone Ltd.

Paul A. Cartwright, *Geophysics,* is President of Pacific Geophysical Ltd, and has 33 years of experience as a geophysicist working and consulting for many well-known mining and oil-and-gas companies.

Edward A. Schiller, *Geology,* is a consulting geologist with more than forty years of experience worldwide in the mineral industry. Specializing in gemstones, Dr Schiller has lived and worked in Canada, the US, England, Australia, Brazil, and Columbia.

Management

Richard O. Hogan, *Vice President, Operations,* brings more than 25 years of varied mining industry experience to Great Western Minerals Group, ranging from research to senior management. He has gained operational experience in a variety of mines throughout North America, including serving as chief engineer, mine superintendent, and mine manager in remote northern Canadian mines, also working in South America and Papua New Guinea.

Kristal Kaye, *Corporate Controller,* has accounting and financial experience in the resource industry, most recently with Diavik Diamond Mines Inc in the Northwest Territories. She is a member of the Certified General Accountants Association of Canada and completed a Master of Business Administration (MBA) degree.

John G. Pearson, *Vice President, Exploration,* has had more than thirty years of experience in the mineral industry. He ran the Flin Flon, Manitoba, office of Teck Cominco and spent several years with Cameco's predecessor working in and around La Ronge, Saskatchewan.

Appendix: Glossary

alunite: a sodium-rich hydrous sulfate mineral, which generally occurs as a hydrothermal alteration product in feldspathic igneous rocks.

andesite: a fine grained volcanic igneous rock.

apatite: a mineral chiefly consisting of calcium phosphate. Occurs in almost all igneous and metamorphic rocks, and in veins and ore deposits.

bastnaesite: a yellow-to-brown mineral that is a source of rare earth elements.

BLEG: bulk leach extractable gold survey, an advanced geochemical surface exploration technique for locating mineral deposits.

dike: a tabular igneous intrusion that cuts across the bedding or foliation of the country rock.

epithermal: pertaining to mineral veins and ore deposits formed from hydrothermal processes at relatively low temperatures (eg 100° C - 200° C) at shallow depths.

fanglomerate: coarse material in an alluvial fan, with the rock fragments being only slightly worn.

fault: a fracture or fracture zone in rock along which movement has occurred.

heavy mineral sands: sand accumulations that contain significant amounts of "heavy minerals." Heavy minerals consist of high density minerals that occur as disseminated, associated or concentrated deposits within the sands; they commonly include gold, cassiterite, titanium minerals, zircon, garnets and rare earth elements (REEs).

hornfels: a hard, dark-colored, dense metamorphic rock that forms from the intrusion of magma into shale or basalt.

laterite: a red residual soil formed by the leaching of silica and by enrichment with aluminum and iron oxides, especially in humid climates.

magnetite: the mineral form of black iron oxide, Fe_3O_4, that often occurs with magnesium, zinc, and manganese and is an important ore of iron.

mobile metal ion (MMI): an advanced geochemical surface exploration technique for locating mineral deposits. Mobile Metal Ions is a term used to describe ions which have moved in the weathering zone and that are only weakly or loosely attached to surface soil particles. It is believed that these Mobile Metal Ions are transported from deeply buried ore bodies to the surface.

monazite: a phosphate of cerium and related rare-earth metals, found in small reddish or brownish crystals.

monzanite: a medium to coarse-grained igneous rock with equal proportions of plagioclase and alkali feldspar minerals. Quartz monzanites contain free quartz, more mafic monzanites, little or no quartz.

mylonite: a foliated metamorphic rock formed by intense shearing and deformation of preexisting grains.

NI 43-101: Canadian rule that governs how issuers disclose scientific and technical information about their mineral projects to the public.

pediment: a relatively flat surface of bedrock (exposed or lightly covered with soil or gravel) that occurs at the base of a mountain or as a plain having no associated mountain.

polymictic: being made up of many rock types or of more than one mineral species.

porphyry: a general term for igneous rocks containing relatively large crystals within a finer grained groundmass; commonly found as individual stocks within a batholith or igneous complex.

Precambrian: period of geological time prior to the Paleozoic, from c.4500 million to 600 million years ago. It is equivalent to about ninety percent of geological time. It is divided into the Archean and Proterozoic.

REE: rare earth elements.

REO: rare earth oxides.

schist: a strongly foliated rock, formed by dynamic metamorphism.

shear: deformation resulting from stresses that cause rocks to slide over one another in a direction parallel to their plane of contact.

strike: the direction or trend of a structural surface, such as a bedding plane or fault as it intersects the horizontal.

TREO: total rare earth oxides.

Tertiary: the first period of the Cenozoic era (after the Cretaceous of the Mesozoic era, and before the Quaternary), thought to have covered a time span of between 65 and three to two million years ago.

We are pleased to bring you this report on **Great Western Minerals**.

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Gabriel Didham, CFA
Objective Capital

Will Purcell
Will has been involved in the resource sector for 30 years in a variety of roles. Since the late 1990s, he has been active in assessed mineral resource investment projects. Will has a B. Math degree from the University of Waterloo in Ontario.

Alexandra Harrison, M. Sc (Mining Geology)
Alexandra Harrison holds a BSc in Applied Geology and an MSc in Mining Geology and has over ten years experience in exploration and mining. She worked in precious and base metals and in energy world wide, before coming to London where she has been involved with several junior AIM and TSX-V listed resource companies.

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Objective Capital Limited
Tel:+44-(0)870-080-2965
Fax: +44-(0)870-116-0839
sales@objectivecapital.com

Internationally:
Phone: +44-20-7754 5994

US Toll-Free:
1-888-802-7215

For Marketing & Sales:
Token House
11-12 Tokenhouse Yard
London EC2R 7AS

Corporate: www.ObjectiveCapital.com
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