



**Breakaway
Research**

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Grant Craighead | Research Manager
gcraighead@breakawayinvestmentgroup.com

Andrew McLeod | Research Analyst
amcleod@breakawayinvestmentgroup.com

Company Information

ASX Code	GTE
Share Price	A\$0.14
Ord Shares	98.3m
Unlisted Options	9.35m
Market Cap	A\$14.2m
Cash (Mar 13)	A\$1.6m
Total Debt	A\$0m
Enterprise Value	A\$12.6m

Directors

Chairman & MD	Jordan Lockett
Non-Executive Director	Frank Cannavo
Non-Executive Director	Craig Mathieson

Substantial Shareholders

Frank Cannavo	4.0%
Craig Mathieson	3.8%
Jordan Lockett	3.7%
BAM NR 1 Pty Ltd	3.7%
Soria Nominees	3.0%

Company Details

Address	185 Hay Street PO Box 8142 Subiaco WA 6008
Phone	+618 6489 0101
Web	www.greatwesternexploration.com.au

1 Year Price Chart



Source: Bloomberg

Great Western Exploration (GTE)

Drilling large copper deposits

Recommendation: Speculative BUY

Company Update

Key Points

- **GTE to earn 50% in highly prospective Spasskaya project**
- **Extensive historical exploration by the Soviets highlights the prospectivity of the area**
- **Exploration target of between 750kt and 2Mt of contained copper**
- **Drilling program underway with positive news flow likely to follow**
- **Possible early development of a SX/EW operation**
- **Australian based JV with Xstrata Glencore brings welcome diversity**
- **1 for 3 Rights Issue at 12c per share to raise A\$3.9M**

Great Western Exploration has signed a landmark JV agreement with Kazakhstan's state owned mining company allowing it access to a highly prospective land package. Previous exploration by the Soviets defined significant resource potential. A drilling program is now underway, aimed at testing the historical data.

Investment Thesis

Great Western Exploration (ASX: GTE) recently executed a 50:50 JV agreement with Kazakhstan's state owned mining company Tau-Ken Samruk (TKS). This Joint Venture paves the way for a period of active exploration in a highly prospective, previously explored region.

The Joint Venture encompasses the 12,500km² Spasskaya project which hosts 120 historical copper prospects. In the 1970's, the Soviets conducted extensive, albeit incomplete, exploration on eight 'high priority' sites. Wide zones of ore grade and predominantly oxide mineralisation were intersected at all eight locations with widespread outcropping mineralisation evident at four locations. Based on historical exploration results, just these eight projects have an **exploration target of between 69-173Mt grading ~1.10% Cu** for ~750kt and 2Mt of contained copper.

Under the terms of the JV agreement, Great Western will earn its 50% interest by sole funding the exploration phase and 50% of the BFS. Great Western has commenced a 2,500m maiden drill program aimed at testing the reliability of the historical Soviet exploration data. Should the historical work be deemed reliable, resource definition drilling campaigns will then commence.

Great Western also has a quality portfolio of early stage, Australian based, exploration projects including the newly formed JV with Xstrata Glencore. This JV incorporates the Cunyu project with Great Western's existing Doolgunna project, creating a prospective tenement package of ~3,300km².



Project Update

Kazakhstan – Spasskaya JV

Following Breakaway's last update, Great Western and the national mining company of Kazakhstan Tauken Samruk (TKS) have now executed the Spasskaya JV agreement. This agreement paves the way for Great Western to initially earn 50% of the Spasskaya project by:

JV with TKS has now been executed

- Sole funding the obligations of the sub soil contract for the exploration period to a maximum of US\$ 24 million over six years;
- Contribute 50% of feasibility studies to a maximum of US\$ 12.5 million;
- A one off payment of US\$ 270,000 directly to TKS to reimburse the costs associated with the acquisition of the subsoil contract; and
- A 'Deferred Payment' from GTE's portion of cash flow.

The most pressing obligation, from Great Western's point of view, is the commitment to spend up to US\$ 24M over a 6 year period. The current budget is for expenditure of US\$ 2.5M for the first year and US\$ 5M for the second year.

Commitment to spend up to US\$ 24M over 6 years

Spasskaya Project

Historical exploration undertaken during the Soviet era (early 1970's) targeted eight high priority prospects and intersected wide zones of 'ore grade' copper mineralisation at each of them. **The Soviets estimated a total exploration target of between 69Mt and 173Mt at grades averaging ~1.10% Cu** (for 750kt and 2Mt of contained copper) from just these prospects.

Soviets provided an exploration target ranging 69Mt – 173Mt @ 1.10% Cu

Prospect Location with major infrastructure



Source: Great Western Exploration

~120 copper occurrences require follow up testing

While Soviet exploration primarily focused on the eight prospects highlighted in the above image, they also identified a further 350 copper occurrences of which 120 were prioritised for further work.



Extensive Soviet exploration provides confidence a meaningful Resource will be defined

The exploration undertaken by the Soviets was extensive (for its time) however it was constrained by technology and drilling limitations. All diamond holes were drilled vertically and were drilled to a maximum depth of 200-250m, which may not have adequately tested the targets. Limited geophysical surveys were undertaken.

Over the course of exploring Spasskaya, the Soviets prepared 23 volumes of valuable reports (averaging 200 pages each) which include sections, pit designs and mining studies.

With the use of modern exploration techniques, Great Western (and TKS) now has an excellent opportunity to prove up significant resources in a highly prospective land package.

Prospectivity of Targets

Soviet drilling identified ore grade mineralisation across all eight prospects targeted and supported an estimated total exploration target of between 750,000t and 2Mt of contained copper ranging in grades from 0.6% to 1.7% Cu (averaging 1.10% Cu).

Exploration targets for the 8 prospects at Spasskaya

Name	Exploration Target Mt		Average Grade % Cu	Contained Cu kt	
	Lower	Upper		Lower	Upper
Burnak	9.6	24	1.68%	161	400
Shokai	20.4	51	0.60%	122	305
Kylshoky	10.2	25.5	1.20%	122	305
Altyntobinsky	8.4	21	1.40%	118	295
Sharyktinsky	7.2	18	1.66%	120	295
Shaitandinsky	4.8	12	1.49%	72	175
Zhartassky	6	15	0.60%	36	88
Khadzhikongan	2.4	6	1.00%	24	60
Total	69	173	1.10%	775	1,923

Source: Great Western Exploration

Targets inadequately tested

The exploration targets in the table above are derived from 1970's Soviet data and are largely conceptual in nature. Additional exploration is required to support an initial JORC Resource at each of the prospects. The above exploration target also makes no allowance for the additional 120 prospects identified in the project area.

Mineralisation starts from surface

During the 2012 field season, GTE undertook preliminary work to test grades and the extent of mineralisation from surface and numerous shallow trench samples. Results from this early work are impressive with highlights from just three of the prospects listed below:

Shaitandy 2 Prospect



Source: Great Western Exploration

Trench Results

- 14m @ 6.59% Cu
- 14m @ 6.51% Cu
- 12m @ 4.52% Cu
- 18m @ 4.05% Cu

Abundant malachite (oxidised copper ore) identified along 5km of combined strike.



High grade mineralisation adjacent to power grid

Sharykinsky Prospect



Source: Great Western Exploration

Trench Results

- 24m @ 8.30% Cu
- 16m @ 6.24% Cu
- 8m @ 4.96% Cu
- 16m @ 2.08% Cu

Widespread mineralisation with significant exploration potential. Prospect located adjacent to national power grid.

Zone of mineralisation can be traced for 300m as the prospect alone

Hadzikongan Prospect



Source: Great Western Exploration

Trench Results

- 32m @ 4.3% Cu
- 42m @ 3.4% Cu

Abundant outcropping of high grade mineralisation. Zone of mineralisation can be traced for 300m and the fault (thought to be a controlling structure of the mineralisation) can be traced for 1km.

1 for 3 Rights Issue, raising A\$3.9M

Capital Raising - Rights Issue

Great Western recently announced a A\$3.9M capital raising via a 1 for 3 Non-Renounceable Rights Issue at an 12c per share, representing a 33% discount to the previous closing price. If fully subscribed, GTE will issue 32.7M shares, raising the total shares on issue to 131.2M shares.

Funds raised via this attractively priced issue will primarily be directed towards drilling campaigns at Spasskaya as well as the advancement of the Doolgunna project in WA.

Widespread mineralisation throughout the area

Breakaway's View

Breakaway is highly encouraged by the widespread surface/shallow mineralisation present throughout the Spasskaya region with at least four of the prospects demonstrating all the hallmarks of hosting meaningful shallow copper deposits.

Drilling to test the reliability of Soviet data

The most advanced prospect is Khadzhikongan (Had-zi-ko-gan) which will be the short term focus for the JV company. Drill rigs (currently on site) will aim to test the reliability of the historical soviet data by essentially 'twinning' the vertical Soviet holes with the diamond rig while the RC drill rig will be used to test the interpreted strike and dip extensions of the mineralisation. The Soviets estimated a (non-JORC) resource of between 2.4Mt and 6Mt @ 1.00% Cu at Hadzikogan, however, mineralisation is interpreted to be open along strike and down dip, providing further exploration upside.



Numerous high quality targets

Strong ties with supportive local government

Oxidised mineralisation provides opportunity for early heap leach operation

GTE now has control of an interpreted 'structural corridor' between well known deposits

Great Western appear spoilt for choice as to which prospect to advance and while Hadzikogan has the potential to deliver short term exploration excitement, significant opportunity still exists throughout the Spasskaya area. Breakaway note modern exploration techniques have never been utilised, highlighting the potential for even more significant prospects to be identified as exploration efforts advance.

Breakaway is further encouraged by the strong ties Great Western has forged with the Kazakhstan government and Kazgeology. Managing Director, Jordan Luckett, is also an Independent Director of Kazgeology and joined the group to help introduce modern exploration techniques and to review strategies aimed at lifting exploration expenditure in the country.

Opportunity for early production

Based on reports completed by the Soviets in the 70's and field work undertaken by Great Western, at least four of the prospects are mineralised from surface, which bode well for low strip, open pit operations.

Breakaway anticipate GTE will initially target a smaller high grade deposit (~10-20Mt @ ~2.0% Cu) to position the company as a high margin operator in the early stages of development. Once sustainable cash flow has been established, the company is more likely to assess the economic potential of a larger tonnage, lower grade operation.

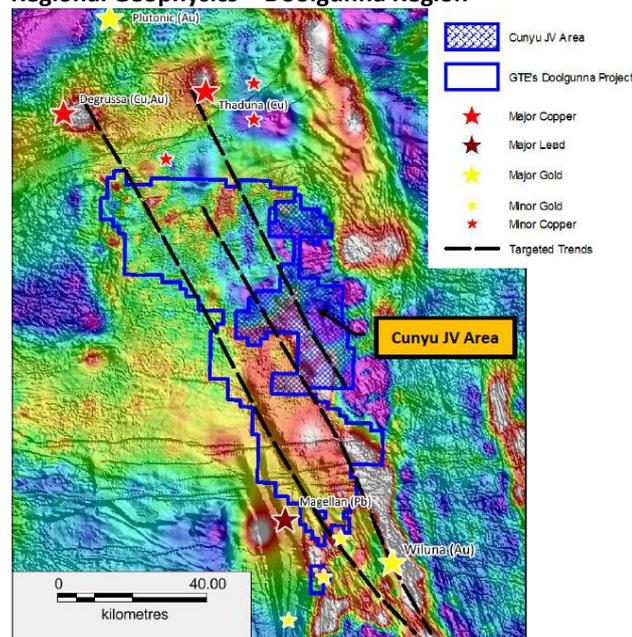
Australia Update

Farm In Agreement with Glencore Xstrata on the Cunyu Project

Great Western and Glencore Xstrata recently agreed terms to advance the Cunyu project under a Joint Venture arrangement.

The Cunyu project comprises five exploration licences and covers a total area of 780km². The project is located adjacent to Great Westerns' existing owned 100% Doolgunna tenements, increasing the total project area to ~3,300km².

Regional Geophysics – Doolgunna Region



Source: Great Western Exploration



*Early stage yet
prospective project*

The Doolgunna region is regarded as an emerging and prospective mineral district. As illustrated in the previous image, the tenements (which incorporate Cunyu and Doolgunna) cover a northwest-southeast trending corridor which 'links' the DeGrussa and Thaduna copper mines in the north with the Wiluna gold mine to the south.

This corridor has a strong spatial correlation with the major deposits in the Doolgunna area. Great Western has interpreted it to represent a major structural corridor which facilitated the rifting during the formation of the Bryah and Yerrida Basins and is therefore an important controlling feature for the formation of mineral deposits in the region.

The exploration potential of the project area is further enhanced by the Wiluna-Leinster-Kalgoorlie-Kambalda-Norseman belt, which hosts mafic and ultramafic rock sequences prospective for nickel and gold deposits, which extends under cover in the south of the project area.

Terms of the JV

The main terms of the JV agreement are:

- GTE must spend a minimum of A\$250k before withdrawing
- GTE can earn up to 70% by spending A\$2.5M over 5 years
- Glencore Xstrata has the right to clawback an interest in the project as follows:
 - Glencore Xstrata can clawback up to 80% of the Cunyu project each time a JORC inferred resource is established. Compensation for GTE will be three times total exploration expenditure on the project. GTE will also retain a 20% free carried interest through to completion of a BFS.
 - If Glencore Xstrata elect not to clawback on any defined resource, it is excluded from the JV and is no longer subject to any future clawback.

*Glencore Xstrata has
opportunity to 'claw
back'*

Although the main terms of the agreement have been agreed, a formal JV agreement is yet to be signed. This is currently being drafted and will likely be formalised imminently.

Breakaway's View

The Doolgunna project area now incorporates a significant land area of ~3,300km² and brings welcome diversity to Great Western's exploration portfolio.

*Doolgunna brings
welcome project
diversity*

Although the Doolgunna project will be a secondary focus for the company, it is still regarded as highly prospective. The JV with Glencore Xstrata ensures exploration funds will be allocated to the project, providing additional opportunity for exploration success.

In the event a meaningful economic deposit is identified, 'Glencore Xstrata is a 'partner of choice' as they have the balance sheet and technical capability to advance the project into production.

*Highly leveraged to
exploration success*

The market appears to be attributing little (if any) value to this project, however, with an Enterprise Value of ~A\$ 13M, the company highly leveraged to exploration success.



Analyst Verification

We, Grant Craighhead and Andrew McLeod, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Great Western Exploration and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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Breakaway Investment Group
AFSL 290093 ABN 84127962387
T+61292621363
F+61292792727
PO Box H116 Australia Square
Sydney, NSW 2001
Suite 505, 35 Lime Street,
Sydney, NSW 2000