

ASX Announcement  
21 November 2011

## **SPASSKAYA PROJECT**

Great Western Exploration Limited (ASX: GTE; “the Company”) provides the following update on the Spasskaya Project to clarify what appears to be some confusion surrounding the Company’s recent announcement.

GTE believes the project provides the Company with a rare opportunity to transition into production in the short term. The historical resource base, geological setting and the size of the project area provide genuine potential to transform the Company into a significant producer of copper, gold and silver.

The JV is structured in such away to provide maximum flexibility that is entirely result driven which allows the Company to dictate how and what rate the company increases its commitment over time. Also other than to provide funds for exploration to the completion of a Bankable Feasibility Study the company has no other obligations to earn 50% and the scope and size of this study is at the discretion of the company.

GTE will act as Managers of the JV and be responsible for all exploration planning, execution and budgets.

### **Exploration Target and Proposed Work Programmes**

The exploration target of 750,000 to 2 million tonnes of contained copper ranging in grade from 0.6% to 1.68%<sup>1</sup> is based solely on the combined Soviet – era historical resource figures of eight prospects located within the project area.

There are some 23 volumes of reports averaging 200 pages with numerous accompanying sections and plans, including pit designs and mining studies. The company will know prior to drilling where the Russians have already shown there to be significant mineralisation.

Most prospects are deeply oxidised and open at depth.

ASX Listing Rules prohibit the publication of historic resources or intersections that are not JORC compliant therefore the company cannot publish any of the information from these reports until the work can be verified.

The company intends to verify the Russian work by initially re-drilling selected historical drill holes and sections at the main prospects. If the drilling confirms that the Russian work is reliable then the company may be able to release additional information from the historical reports.

<sup>1</sup> The estimated target ranges mentioned above for the Spasskaya Copper Project should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. The potential quality and grade of exploration targets are conceptual in nature since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource and Ore Reserve.

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In February the company is planning to commence a programme of 5,000m of diamond drilling to assess the reliability of the Russian data (Phase 1 drilling). If this drilling confirms the accuracy of the Russian work then the company can commence resource drilling and produce the first JORC inferred resource for the first prospect by Q4 2012 with further upgrades each quarter throughout 2013.

### **Development Options**

The JV has been structured to allow the Company a great amount of flexibility in how to develop the project. The company is initially planning to look at the option of starting at a lower rate production as early as possible and using cash flow to expand the resource base and incrementally increase capacity.

Some of the prospects are mineralised from the surface and appear to be deeply oxidised, in some cases to depths greater than 100m which may make them amenable to a heap leach operation with low strip ratios. This will be the first option the company will study as these types of operations have much lower capital costs and can be brought into production in a shorter time period.

Initially the company will be targeting a an initial oxide operation of 2Mtpa (million tonnes per annum) producing 15,000 to 20,000 tonnes of copper per annum and the project could easily sustain twice this rate given the amount of possible oxide ore.

### **The Deferred Payment**

The Company also wishes to clarify that the deferred payment calculation outlined in the announcement of 9 November was an example only.

The final terms of the deferred payment (if any) are subject to final negotiations of the JV Agreement and the actual calculation will be formula based on the variables of size of resource, copper price and expected recovery taken from the BFS.

Furthermore the Deferred Payment is not a loan or liability incurred by the company and its purpose is to provide a balance in equity between the potential upside of the project against the low cost of entry for the Company.

That is the low cost of the initial acquisition of 50% of the project is offset out of the company's portion of cash flow if the project proves to be world class that both the JV partners believe it has the potential to be.

This payment is not technically a Royalty but is a similar type of payment that is a function of the size of the resource, the price of copper along with the expected recovery. If in the event that the operation closes for whatever reason the company is not liable for any outstanding balance of the deferred payment. It is only payable from the company's portion of cash flow annually and is calculated on the values from the BFS and amortised over the estimated life of the project also taken from the BFS.

The Deferred Payment is not subject to any indexation and is back ended after all loans are repaid.

### **Capital Development Loans**

The company will provide all the finance to develop the project as its role as the JV Manager. The company has done this to avoid the situation where the decision to start development might be delayed as TKS are a large Government Enterprise with a number of very large projects and it's conceivable at the time of development that some of these other projects might be competing for Government capital at the same time.

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The agreement with TKS allows the company to finance development through a combination of debt, equity and Off Take Agreements and that both parties are responsible for 50% of the development costs and that all loans are paid off first from 100% of the initial cash flow of the project.

The no interest component is in exchange for the Deferred Payment being free from any indexation which over a projected mine life of greater than 25 years would have been considerable more than the interest on what will be a much smaller amount of equity required by TKS for the development when considering the payback period for the average copper mine is 1 to 4 years depending on the type, scale of the operation and the associated capital costs.

For further information, please contact:

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### **Competent Person Statement**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Jordan Lockett who is a member of the Australian Institute of Mining and Metallurgy. Mr Lockett has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Lockett consents to the inclusion in the report of the matters based on his information in the form and context in which it appears