



**GREAT WESTERN MINERALS GROUP LTD.**

**ANNUAL INFORMATION FORM**

**For the Financial Year Ended December 31, 2014**

**March 31, 2015**

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## GLOSSARY OF TERMS

The following definitions apply throughout this AIF unless the context requires otherwise:

“\$” and “C\$” means Canadian dollars.

“**2014 Circular**” means the Management Information Circular, dated May 30, 2014 for the Company’s 2014 Annual and Special General Meeting of Shareholders held on June 27, 2014 and filed on SEDAR on June 2, 2014.

“**AIF**” means this Annual Information Form, together with the documents incorporated herein by reference.

“**anomaly**” means any departure from the norm which may indicate the presence of mineralization in the underlying bedrock.

“**April 2012 Bond Offering**” means the offering of an aggregate of US\$90 million of Bonds completed on April 5, 2012.

“**Barr Engineering**” means Barr Engineering Company.

“**Barr Report**” means the technical report and mineral resource estimate prepared for Star Minerals Group Ltd. by Barr Engineering in accordance with NI 43-101 dated effective January 31, 2014 entitled “*Update to Resource Estimate on the Hoidas Lake Property, Saskatchewan Canada*” and filed on SEDAR under Star Minerals Group Ltd.’s profile on March 7, 2014.

“**Board of Directors**” means the board of directors of the Company.

“**Bonds**” means secured convertible bonds of the Company due April 6, 2017, bearing interest at the rate of 8.0% per annum, payable semi-annually and convertible into Common Shares at a conversion rate of C\$0.55 per Common Share, as more particularly described in the Listing Particulars and as amended by the Supplemental Deed and Conversion Price Adjustment.

“**Canadian GAAP**” means generally accepted accounting principles in Canada.

“**CCIC**” means Caracle Creek International Consulting (Pty) Limited.

“**CIM**” means the Canadian Institute of Mining, Metallurgy and Petroleum classification system.

“**Common Shares**” means the common shares in the capital of the Company.

“**Company**” or “**GWMG**” means Great Western Minerals Group Ltd., and where the context requires, includes its predecessors.

“**Conversion Price Adjustment**” means the automatic adjustment to the conversion price of the Bonds to C\$0.55 per Common Share as a result of the Company not meeting certain requirements of the Trust Deed relating to production of a minimum of 500 metric tonnes of REOs within 30 months of the issuance date of the Bonds.

“**DOE**” means Department of Energy of the Republic of South Africa.

“**December 2012 Mineral Resource Estimate**” means the technical report and mineral resource estimate prepared in accordance with NI 43-101 by CCIC and Snowden dated effective December 15, 2012 entitled “*Steenkampskraal Rare Element Project, South Africa*” and filed on SEDAR on March 7, 2013.

“**December 2012 PEA**” means the technical report and preliminary economic assessment prepared in accordance with NI 43-101 by Snowden dated effective December 15, 2012 entitled “*Preliminary Economic Assessment - Steenkampskraal Project*” and filed on SEDAR on May 1, 2013;

“**DME**” means the Department of Minerals and Energy (South Africa).

“**DMR**” means the Department of Mineral Resources (South Africa).

“**DRA**” means DRA Mineral Projects (Pty) Ltd.

“**drill hole**” means a method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.

“**ERES**” means East Rand Engineering Services.

“**Escrow Agent**” means Wilmington Trust N.A.

“**Escrow Agreement**” means the escrow agreement between the Company, the Trustee and the Escrow Agent.

“**Feasibility Study**” has the meaning ascribed thereto in NI 43-101 and, when used in reference to the Steenkampskraal Project, means the Feasibility Study prepared by Venmyn Deloitte (Proprietary) Limited entitled “*National Instrument 43-101 Independent Technical Report on the Results of a Feasibility Study for the Steenkampskraal Rare Earth Element Project in the Western Cape, South Africa for Great Western Minerals Group Ltd.*” dated effective June 20, 2014 and filed on SEDAR on June 20, 2014.

“**geochemistry/geochemical**” means the study of variations of chemical elements in rocks or soil.

“**geology/geological**” means the study of the Earth’s history and life, mainly as recorded in rocks.

“**geophysical**” means the study of the Earth by quantitative physical methods, either by surveys conducted on the ground, in the air (by fixed wing aircraft or helicopter), or in a borehole.

“**GQD**” means Ganzhou Qiangdong Rare Earth Group Co. Ltd.

“**GQD Agreement**” means the Incorporated Joint Venture, Subscription, Shareholders’ and Operator’s Agreement among the Company, GQD and GWGQD dated January 10, 2012.

“**GWGQD**” means Great Western GQD Rare Earth Materials Proprietary Limited.

“**GWTI**” means Great Western Technologies Inc.

“**GWUS**” means GWUS Inc.

“**Hoidas Joint Venture Agreement**” means the option and joint venture agreement dated effective December 3, 2013 between Star Minerals Group Ltd. and the Company in respect of the Company’s Hoidas Lake project.

“**HREE**” means heavy rare earth elements.

“**IFRS**” means International Financial Reporting Standards.

“**IMCOA**” means Industrial Minerals Corporation of Australia.

“**Indicated Mineral Resource**” or “**Indicated Resource**” is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors (as defined in the CIM Definition Standards adopted by CIM Council on May 10, 2014) in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.

**“Inferred Mineral Resource”** or **“Inferred Resource”** is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

**“LCM”** means Less Common Metals Limited, a company incorporated in the United Kingdom and 100% owned by GWMG.

**“LCMG”** means LCMG Limited, a company incorporated in the United Kingdom and 100% owned by GWMG.

**“Listing Particulars”** means the listing particulars dated September 27, 2012 in respect of the listing of the Bonds on the PSM and filed on SEDAR on October 12, 2012.

**“London Stock Exchange”** means the London Stock Exchange plc.

**“mapping”** means the art and science of recording geological observations on a map.

**“May 2012 Mineral Resource Estimate”** means the technical report and mineral resource estimate prepared in accordance with NI 43-101 by CCIC and Snowden dated effective May 18, 2012 entitled *“Resource Estimate and Technical Report on the Steenkampskraal Monazite Property in the Western Cape Province, South Africa”* and filed on SEDAR on May 31, 2012.

**“Measured Mineral Resource”** is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.

**“Mineral Reserve”** is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a pre-feasibility Study or feasibility study.

**“Mineral Resource”** is a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

**“mineralization”** means the concentration of metals and their chemical compounds within a body of rock.

**“MPRDA”** means the Mineral and Petroleum Development Act of 2002 (South Africa).

**“NdFeB”** means Neodymium iron-boron.

**“New Order Mining Right”** means the Notarial Mining Lease in respect of the Steenkampskraal Project which was converted to a Converted Mining Right on June 2, 2010, and which 20-year right is contained within Portion 1 of the

farm Steenkampskraal 70 covering an area of 473.71 hectares, which was issued by the Department of Mineral Resources, of the Republic of South Africa.

“**NI 43-101**” means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*, issued by the Canadian Securities Administrators.

“**NI 51-102**” means National Instrument 51-102 - *Continuous Disclosure Obligations*, issued by the Canadian Securities Administrators.

“**NI 52-110**” means National Instrument 52-110 - *Audit Committees*, issued by the Canadian Securities Administrators.

“**NiMH**” means nickel-metal hydride.

“**NNR**” means South African National Nuclear Regulator.

“**October 2013 Mineral Resource Estimate**” means the technical report and mineral resource estimate prepared in accordance with NI 43-101 by Snowden dated effective October 31, 2013 entitled “*Technical Report and Mineral Resource Estimate*” in respect of the Steenkampskraal Project and filed on SEDAR on December 20, 2013;

“**OTCQX**” means the trading platform of OTC Markets Group, Inc.

“**outcrop**” means an exposure of bedrock at the surface.

“**ppm**” means parts per million.

“**Preferred Shares**” means the Company’s unlimited number of preferred shares.

“**Preliminary Economic Assessment**” or “**PEA**” means a study, other than a Preliminary Feasibility Study or Feasibility Study, which includes an economic analysis of the potential viability of mineral resources, as defined in NI 43-101.

“**Preliminary Feasibility Study**” means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be converted to a Mineral Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

“**Probable Mineral Reserve**” is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.

“**prospecting**” means the art and science of searching for mineral deposits.

“**Proven Mineral Reserve**” is the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

“**PSM**” means the Professional Securities Market of the London Stock Exchange.

“**Qualified Person**” for the purposes of NI 43-101 means an individual who

- (a) is an engineer or geoscientist with a university degree, or equivalent accreditation, in an area of geoscience, or engineering, relating to mineral exploration or mining;

- (b) has at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these, that is relevant to his or her professional degree or area of practice;
- (c) has experience relevant to the subject matter of the mineral project and the technical report;
- (d) is in good standing with a professional association; and
- (e) in the case of a professional association in a foreign jurisdiction, has a membership designation that
  - (i) requires attainment of a position of responsibility in their profession that requires the exercise of independent judgement; and
  - (ii) requires
    - A. a favourable confidential peer evaluation of the individual's character, professional judgement, experience, and ethical fitness; or
    - B. a recommendation for membership by at least two peers, and demonstrated prominence or expertise in the field of mineral exploration or mining.

**"rare earths"** in this AIF, means Lanthanum, Cerium, Praseodymium, Neodymium, Samarium, Europium, Gadolinium, Terbium, Dysprosium, Holmium, Erbium, Thulium, Ytterbium, and Lutetium, and the element Yttrium.

**"Rareco"** means Rare Earth Extraction Co. Limited.

**"Rareco Offtake Agreement"** means the offtake agreement dated August 10, 2010 between the Company and Rareco pursuant to which Rareco agrees to sell and deliver, and the Company agrees to purchase, 100% of the rare earth products produced by Rareco and its subsidiaries.

**"REC Plant"** means the ore processing and beneficiation plant to be located at the Steenkampskraal Project mine site which will produce mixed rare earth chloride or carbonate;

**"Red Wine Option Agreement"** means the option agreement dated July 23, 2010 between the Company and Search Minerals Inc.

**"REE"** means rare earth elements.

**"REO"** means rare earth oxides.

**"RE Separation Plant"** means the potential solvent extraction separation plant which could be located at Vredendal, situated approximately 25 km west of Vanrhynsdorp, in the Western Cape which may process mixed rare earth chloride from the Steenkampskraal Project on a toll basis.

**"Rights Plan"** means the shareholder rights plan adopted by the Company to ensure the fair and equal treatment of all its shareholders in the event of an unsolicited take-over bid of Common Shares.

**"RIM"** means Rareco Industrial Minerals (Pty) Ltd.

**"ROW"** means Rest-of-World.

**"SEDAR"** means the System for Electronic Document Analysis and Retrieval.

**"Shield"** means the property area within the Boreal Shield Ecozone.

**"SmCo"** means Samarium Cobalt.

**"SMM"** means Steenkampskraal Monazite Mine (Pty) Ltd.

**"SMM Prospecting Right"** means the Company's approximately 55,000 hectare prospecting right surrounding the SKK Project.



**“SMM Shareholder Agreement”** means a shareholder agreement dated September 14, 2009 entered into between Rareco and the SWT with respect to the shares of SMM.

**“Snowden”** means Snowden Mining Industry Consultants (Pty) Ltd of Perth Australia and Johannesburg, South Africa.

**“SRK”** means SRK Consulting Engineers and Scientists of Johannesburg, South Africa.

**“Steenkampskraal Project”** or **“SKK Project”** means the Company’s project located near the town of Vanrhynsdorp in South Africa, including the past-producing thorium/rare earth mine which is the subject of the New Order Mining Right and the proposed REC Plant.

**“STL”** means Steenkampskraal Thorium Limited.

**“strike”** means the direction or trend of a geologic structure.

**“structure/structural”** pertains to geological structure, i.e., folds, faults, etc.

**“Supplemental Deed”** means first supplemental trust deed dated November 14, 2014 between Great Western minerals Group Ltd. as issuer and Wilmington Trust (London) Limited as trustee providing for amendments to the Trust Deed to (i) permit the Company to enter into the Hoidas Lake Joint Venture Agreement and (ii) establish that a resolution in writing signed by or on behalf of the holders of not less than 66<sup>2/3</sup>% of the aggregate principal amount of Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held.

**“SWT”** means the Steenkampskraal Workers’ Trust.

**“SWT Deed”** means the SWT deed of trust dated September 14, 2009.

**“t.p.a.”** means tonnes per annum.

**“TREE”** means total rare earth elements.

**“TREO”** means total REOs including Yttrium.

**“Trust Deed”** means the trust deed between the Company and the Trustee as trustee for itself and the holders of the Bonds, a copy of which was filed on SEDAR on October 12, 2012 (as amended by the Supplemental Trust Deed);

**“Trustee”** means Wilmington Trust (London) Limited.

**“TSXV”** means the TSX Venture Exchange.

**“UKLA”** means the United Kingdom Listing Authority.

**“Uranoop”** means Uranoop Mining Company (Pty) Ltd.

**“U.S. Securities Act”** means the *United States U.S. Securities Act of 1933*.

**“US\$”** means U.S. dollars.

**“ULS”** means, collectively UWP Consulting and Logiproc Services, a process design and engineering services company based in Johannesburg, South Africa, that was engaged to design the REC Plant and infrastructure for a feasibility study on the SKK Project.

**“Venmyn Deloitte”** means Venmyn Deloitte (Proprietary) Limited.

“**vein**” means a thin sheet-like intrusion typically along a fissure or crack.

“**VIM**” means vacuum induction melting.

“**Warrants**” means Common Share purchase warrants of the Company.

“**Y**” means Yttrium, element #39 on the periodic table.

## INTRODUCTION

### Effective date of Information

This AIF for the Company is dated as at March 31, 2015. Unless otherwise indicated, information in this AIF is provided as of December 31, 2014.

### Currency and Exchange Rates

All dollar amounts set forth in this AIF are in Canadian dollars, except where otherwise indicated.

The following table sets forth for the Canadian dollar, expressed in U.S. dollars, the high, low and average of the exchange rates during each period. The Canadian dollar rates are based on the noon rate published by the Bank of Canada.

US\$	<i>Fiscal years ended December 31</i>		
	2012	2013	2014
Average .....	1.0006	0.9707	0.9052
High.....	1.0221	1.0079	0.9317
Low .....	0.9727	0.9399	0.8671

On March 30, 2015, the last banking day prior to the date of this AIF, the noon rate published by the Bank of Canada was C\$1.00 equals US\$0.7881. The Canadian/U.S. dollar exchange rates have varied significantly over the last several years and investors are cautioned that the exchange rates presented here are historical and are not indicative of future exchange rates.

### Metric Conversion Table

Metric Unit	U.S. Measure	U.S. Measure	Metric Unit
1 hectare.....	2.471 acres	1 acre .....	0.4047 hectares
1 metre .....	3.2881 feet	1 foot .....	0.3048 metres
1 kilometre .....	0.621 miles	1 mile.....	1.609 kilometres
1 gram .....	0.032 troy ounces	1 troy ounce.....	31.1 grams
1 kilogram.....	2.205 pounds	1 pound .....	0.4541 kilograms
1 tonne .....	1.102 short tons	1 short ton.....	.907 tonnes
1 gram/tonne .....	0.029 troy ounces/ton	1 troy ounce/ton.....	34.28 grams/tonne

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This AIF contains forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements.

These statements may include, but are not limited to, statements with respect to the Company's projected cash position; the ability of the Company to move forward with its plans and achieve its objectives; the Company's ability to obtain financing; the results of capital expenditure improvement opportunities, optimization and post-Feasibility Study planning; the outcome and timing of discussions with its bondholders; the ability to receive required permits and approvals; and the ability to obtain rare earth materials at competitive pricing, future financial or operating performance of the Company and its projects, the future prices of rare earth elements and their derivative products, target market penetration, the Company's objectives, goals, strategies, beliefs, intentions, plans, estimates and outlook, including, without limitation, statements with respect to the Company's expected costs and timing for the further exploration and development of the Steenkampskraal Project in South Africa, refurbishment of the underground mine and related facilities, environmental remediation, readying the mine for extraction activity and putting the formerly producing mine into production, the design, construction and operation of the mixed rare earth chloride facility or the procuring of a separation facility in South Africa or third party toll separation, expansion at its existing processing facilities, further exploration and development of the Hoidas Lake property in

Saskatchewan or of the Company's other prospective properties, the Company's business strategy, expected capital costs, the Company's prospects, plans and objectives, industry trends, the Company's requirements for additional capital, government regulation, environmental risks, reclamation and rehabilitation expenses, title disputes or claims, potential future acquisitions and expected actions of third parties. These statements may be under the captions "*Risk Factors*", "*General Development of the Business*", "*Description of the Business*" and in other sections of this AIF.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "projects", "aims", "potential", "targeted", "possible", "appears" or variations (including negative variations) of such words and phrases, or statements that certain actions, conditions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements are statements about the future and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, all of which are difficult to predict and many of which are beyond the Company's control. Factors that could cause actual results to differ materially from those expressed or implied in such statements include, but are not limited to, those discussed under the heading "Risk Factors" in this AIF.

In particular, this AIF contains forward-looking statements, pertaining to, among other things, the following:

- discussions relating to a possible restructuring of the Company's Bonds;
- the filing of its financial statements and MD&A for the year ended December 31, 2014 and the effect of any applicable management cease trade order or general cease trade order;
- the projected capital costs, operating costs and timing of the Steenkampskraal Project;
- the availability of third party toll separation of mixed rare earth products and/or the possible construction of a proprietary facility;
- estimates of supply and demand for GWMG's products and services;
- mineral resource estimates and grades, operating margins, revenues and expenses;
- the receipt of all required approvals (including those relating to the commencement of production and processing at the Steenkampskraal mine and commencement of operations at the proposed separation facility, as applicable);
- the mineral processing and beneficiation plan for the Steenkampskraal project;
- obtaining approvals for the amendment to existing permits as a result of design and capacity changes
- the completion of GWMG's integrated business plan on the schedules proposed and growth strategies and opportunities, including the increase and upgrade of production capacities at LCM;
- other capital expenditure programs and future capital requirements;
- the conduct of exploration and development activities at the Steenkampskraal site and surrounding area held under the SMM Prospecting Right; and
- industry conditions affecting rare earth exploration, development, production and processing.

Further, with respect to forward-looking statements included in this AIF, the Company has made assumptions regarding, among other things:

- the ability to restructure the Bonds and/or obtain additional financing on satisfactory terms or at all and to continue as a going concern;
- anticipated results of exploration and development activities, including that the underlying assumptions and estimates contained in the Feasibility Study will prove to be accurate over time;
- capital costs, operating margins, revenues and expenses;
- the results of the overall exploration program and receipt of all required approvals (including those relating to the commencement of economic production and processing at the Steenkampskraal Project);
- geological, engineering and resource estimates;
- the geography of the areas in which GWMG conducts or may conduct operations;
- unpredictable changes to the market prices for GWMG's services and products;
- the impact of increasing competition;
- anticipated market prices of rare earths in the short term and the long term;

- the legislative and regulatory environment; and
- availability and cost of labour and services.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- the inability of the Company to restructure its Bonds or advance an alternative transaction to address its liquidity constraints, including the possibility that the Company may initiate a sale or investment solicitation process with respect to its assets and business and/or the commencement of proceedings under applicable restructuring legislation;
- the failure to file its financial statements and MD&A for the year ended December 31, 2014 as may be required pursuant to the Company's application for a management cease trade order or as otherwise required by applicable regulatory authorities;
- the availability of the additional capital which will be required to complete the Company's plans;
- uncertainties associated with estimating resources, grades, recovery rates, capital costs, operating margins, revenues and expenses, including uncertainties inherent in the Feasibility Study;
- unforeseen delays in completion of engineering and construction activities and obtaining capital equipment as scheduled or at all;
- the receipt of all required approvals (including those relating to the commencement of economic production and processing at the Steenkampskraal Project);
- the availability of skilled personnel;
- technology risks;
- credit risks;
- the potential for the estimates and assumptions of management and consulting experts to be inaccurate;
- uncertainties regarding the regulatory regime;
- volatility in the market prices for rare earth elements and products and inherent uncertainty when forecasting future prices, demand for specific products and the level of such demand;
- operational hazards;
- liabilities and risks including environmental liabilities;
- unpredictable weather conditions;
- the Company's status and stage of development;
- selling prices of intermediate and final products;
- the high degree of risk involved in the discovery and production of commercial bodies of ore;
- competition and the effects of government quotas and regulations, especially where the supply of raw materials is concentrated in relatively few geographical locations;
- challenges or impairment to titles or rights relating to the conduct of operations; and
- general industry conditions.

The Company's plans and results could differ materially from those anticipated in these forward-looking statements as a result of these risk factors set forth above. Readers are cautioned that the foregoing list is not exhaustive.

Although the Company has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated, or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

**The forward-looking statements and information contained in this AIF are made as of the date hereof and the Company undertakes no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.**

## **CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING DISCLOSURE OF MINERAL RESERVES AND RESOURCES**

Unless otherwise indicated, any resource and reserve estimates included in this AIF have been prepared in accordance with NI 43-101 and CIM guidelines.

NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. The disclosure in this AIF, including the documents incorporated herein by reference, uses terms that comply with reporting standards in Canada. In addition, the terms “Mineral Resource”, “Inferred Mineral Resource”, “Indicated Mineral Resource”, “Measured Mineral Resource”, “Mineral Reserve”, “Probable Mineral Reserve and “Proven Mineral Reserve” are defined in and required to be used by the Company by NI 43-101; however, in the case of Mineral Resources, U.S. readers should be aware that these terms are not defined terms under SEC Industry Guide 7 and normally would not be permitted to be used in reports and registration statements filed with the SEC. In addition, readers are cautioned that SEC Industry Guide 7 uses differing definitions for reserve categories. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into mineral reserves. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. Under Canadian rules, estimates of inferred Mineral Resources may not form the basis of feasibility studies, pre-feasibility studies or other economic studies, except in prescribed cases, such as in a preliminary economic assessment under certain circumstances. It cannot be assumed that all or any part of the Inferred Mineral Resources, Indicated Mineral Resources or Measured Mineral Resource will ever be upgraded to a higher category.

**Accordingly, information contained in this AIF and the documents incorporated by reference herein containing descriptions of the Company’s mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.**

## **CAUTION REGARDING HISTORICAL RESULTS**

Historical results of operations and trends that may be inferred from the discussion and analysis in this AIF may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company’s securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See *“Risk Factors - Price and Volatility of Public Stock”*.

## **PRESENTATION OF INDUSTRY DATA**

### **Steenkampskraal Project**

All scientific and technical information provided by Venmyn Deloitte in relation to the Feasibility Study conducted on the Company’s Steenkampskraal Project presented in the *“Mineral Properties – Material Properties”* section was reproduced from the Feasibility Study.

Venmyn Deloitte’s business address is Deloitte Place, The Woodlands, 20 Woodlands Drive, Johannesburg, Gauteng, South Africa. Venmyn Deloitte is a global business with professional expertise in the independent technical and economic assessment of mineral projects.

Venmyn Deloitte has given and not withdrawn its consent to the inclusion of the information from the Feasibility Study contained in this AIF in the form and context in which it is included, and has authorized those parts of the AIF. Venmyn Deloitte accepts responsibility for the information contained in this AIF reproduced from the Feasibility Study.

To the best of the knowledge of Venmyn Deloitte (who has taken all reasonable care to ensure that such is the case), the information contained in this AIF reproduced from the Feasibility Study is in accordance with the facts and does not omit anything likely to affect its import.

In compliance with NI 43-101, the Qualified Person who has supervised the preparation of the scientific and technical information presented in this AIF, which must be prepared by a Qualified Person, other than with respect to information derived from the Feasibility Study, was Brent C. Jellicoe, P.Geo., B.Sc. Geology (Hon.), Consulting Geologist for SMM. Mr. Jellicoe verified such information through his experience with the properties described in this AIF.

### **Hoidas Lake Property**

All scientific and technical information provided by Barr Engineering in relation to the Company's Hoidas Lake property presented in the "*Mineral Properties – Other Properties*" was reproduced from the Barr Report.

In compliance with NI 43-101, the Qualified Person who has supervised the preparation of the scientific and technical information presented in this AIF, which must be prepared by a Qualified Person, other than with respect to the Barr Report, was Brent C. Jellicoe, P.Geo., B.Sc. Geology (Hon.), Consulting Geologist for SMM. Mr. Jellicoe verified such information through his experience with the properties described in this AIF.

## **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this AIF from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Company's head office at 2121 Airport Drive, Unit 201B, Saskatoon, Saskatchewan S7L 6W5 (telephone: (306) 659-4500) or by accessing the disclosure documents available through the Internet on SEDAR which can be accessed at [www.sedar.com](http://www.sedar.com).

The following documents of the Company are specifically incorporated by reference in this AIF:

- (a) the Feasibility Study;
- (b) the Trust Deed; and
- (c) the Rareco Offtake Agreement.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

The Company was incorporated on September 30, 1983 under the laws of the Province of British Columbia by registration of the Company's Memorandum and Articles pursuant to the *Company Act* (British Columbia) under the name Texoro Resources Ltd. On August 16, 1984, the Company began trading on the Vancouver Stock Exchange under the name Texoro Resources Ltd. The Company's name was subsequently changed to International Texoro Resources Ltd. on December 8, 1989, then to Great Western Gold Corp. on July 24, 1991, trading under the symbol "GWG". The Company began trading on the TSXV (formerly the Canadian Venture Exchange) on November 26, 1999, also under the symbol "GWG". On August 14, 2002, the Company changed its name to Great Western Minerals Group Ltd. On December 12, 2007, the Company was continued out of British Columbia into the federal jurisdiction and is now a corporation governed by the *Canada Business Corporations Act*.

The Company's registered office and head office are located at 2121 Airport Drive, Unit 201B, Saskatoon, Saskatchewan S7L 6W5.

The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The Company's Common Shares are listed for trading on the TSXV under the symbol "GWG" and are quoted on the OTCQX under the symbol "GWMGF". The Bonds are listed on the PSM under the symbol "15HV".

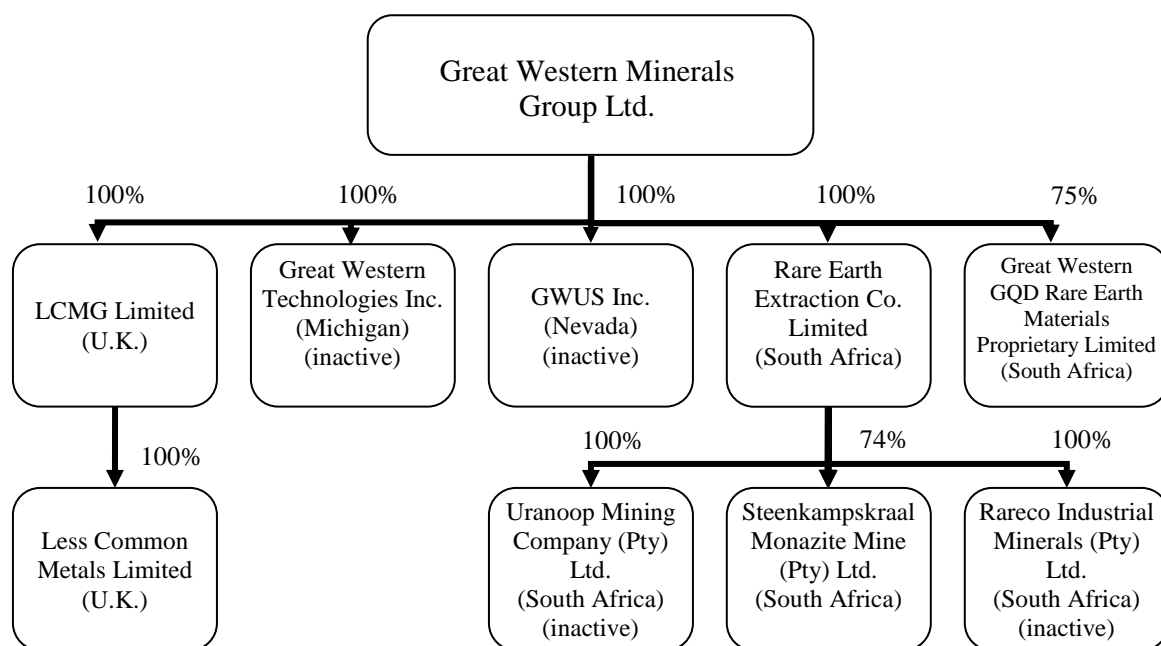
## Inter-Corporate Relationships

As of the date of this AIF, the Company had seven wholly-owned subsidiaries and two partly-owned subsidiaries.

Its active/material subsidiaries are LCM, Rareco, and SMM. LCM was incorporated February 24, 1992, under The Companies Act 1985 in the United Kingdom. Rareco was incorporated on June 6, 1989 under the laws of South Africa. Rareco owns 74% of the ordinary shares of SMM, which was incorporated on May 10, 1996 under the laws of South Africa.

GWMG also has a number of direct and indirect subsidiaries which are inactive or do not currently carry on material operations. GWMG owns 100% of the common shares of GWTI, which was incorporated on September 30, 2005 under the laws of the State of Michigan, United States and 100% of the common shares of GWUS, which was incorporated on August 20, 2007 under the laws of the State of Nevada, United States. Rareco owns 100% of the ordinary shares of Uranoop, which was incorporated on March 19, 2003 under the laws of South Africa, and 100% of the ordinary shares of RIM, which was incorporated on July 5, 1994 under the laws of South Africa. LCMG was incorporated on June 13, 2008 under the laws of the United Kingdom for the purpose of acquiring 100% of the shares of LCM. The Company owns 75% of the shares of GWGQD, which was incorporated under the laws of South Africa.

The following chart shows the inter-corporate relationships among the Company and the subsidiaries described above and the jurisdiction in which the head office of each of such subsidiaries is located:



## GENERAL DEVELOPMENT OF THE BUSINESS

### History

GWMG is a Canadian-based natural resource company that, prior to 1999, was engaged in the acquisition, exploration and development of mineral properties and the Company's main properties were mineral claims hosting diamond-bearing kimberlites at Candle Lake, Saskatchewan. In 1999, the Company acquired an option on the Hoidas Lake rare earth property and began to focus its attention on strategic and critical metals. The Company, over the next decade, continued to acquire additional interests in rare earth properties and in 2005, the Company turned



its focus completely to REEs by divesting itself of its diamond properties by transferring them into Great Western Diamonds Corp. which then completed a successful initial public offering. In that same year, GWMG began to focus on its “mine to market” corporate growth strategy when it purchased GWTI and its specialty metal manufacturing facilities and assets located in Troy, Michigan. The Company expanded its manufacturing efforts in 2008 by acquiring LCM then located in Birkenhead, United Kingdom, which specializes in the manufacturing of permanent rare earth magnet alloys. In 2010 the Company took the next step in its “mine to market” strategy and announced it had entered into the Rareco Offtake Agreement relating to the refurbishment, re-commissioning, and operation of the abandoned Steenkampskraal underground mine in Western Cape, South Africa. The Company subsequently pursued the acquisition of Rareco, acquiring 20.9% in 2010 and the remainder in 2011 to enable the Company to assemble all of the critical business units of its “mine to market” strategy.

### **Three Year History**

During the past three years, the Company has primarily pursued the development of the Steenkampskraal Project and the evolution of LCM’s business. Up to 2012, the Company had continued to acquire various interests in other REE mineral properties. Throughout 2013 and 2014, the Company deferred development of non-core exploration projects and focused its resources and efforts on the Steenkampskraal Project and the development and streamlining of its integrated supply chain model.

#### *Financial Year Ended December 31, 2012*

GWMG’s business model contemplates that the rare earth chlorides produced from the Steenkampskraal mine will be separated to produce products usable by LCM and third party customers. On January 10, 2012, the Company announced that it had entered into the GQD Agreement, which contemplated the construction of a rare earth separation plant in South Africa. Pursuant to the GQD Agreement, an incorporated joint venture was formed. Under the terms of the GQD Agreement, GQD received 25% of the shares of GWGQD for its agreement to contribute to the design and construction of the facility, and \$7.5 Million of GWMG shares are to be paid over three years contingent on the facility being fully commissioned and operating effectively. If production is achieved, GQD would receive fees and/or dividends for providing long term management support for the operation of the separation facility. However, as stated in the Feasibility Study and as discussed in this AIF, third party toll separation is being evaluated as an interim or alternative route to constructing a proprietary facility under the GQD Agreement.

On March 14, 2012 the Company announce the appointment of Mr. Robert Gilmore and Mr. George Ireland to its Board of Directors.

On April 5, 2012, the Company completed the April 2012 Bond Offering for aggregate gross proceeds of US\$90 million. The Bonds are due April 6, 2017, bearing interest at the rate of 8.0% per annum, payable semi-annually and were convertible into Common Shares at a conversion rate of C\$0.66 per Common Share, subject to adjustment in certain circumstances. The conversion price was subsequently adjusted to C\$0.55 per Common Share as described below. The Bonds are secured obligations of the Company that have a first charge against the Company’s shareholdings in its various subsidiaries in the United Kingdom, the U.S. and South Africa. The terms of the April 2012 Bond Offering stipulated that US\$10 million of the net proceeds would be released immediately to the Company and the Company was required to file an NI 43-101 compliant resource estimate confirming that at least 20,000 metric tonnes of TREO in the sum of the Measured, Indicated and Inferred Resource categories are present at the Steenkampskraal property using a 1% cut-off grade in order for the rest of the proceeds from the offering to be released from escrow.

This escrow condition was satisfied on May 31, 2012 upon the filing of the May 2012 Mineral Resource Estimate which indicated the presence of 13,823.64 metric tonnes of TREO under the Indicated Resource category and 14,147.76 metric tonnes under the Inferred Resource category, each using a 1% cut-off grade.

On May 28, 2012, the Company announced the resignation of Russell Grant as Senior Vice-President, Business Development and as a Director of the Company and on June 4, 2012, the Company announced that Dave Murphy had been appointed as Vice-President, International Marketing and Sales.

On June 7, 2012, approximately US\$63.2 million from the April 2012 Bond Offering was released from escrow, representing the remainder of the net proceeds from the offering, other than US\$10.8 million that remained in escrow to satisfy the first three interest payments.

On August 14, 2012, the Company announced the appointment of Vernon J. Kiss as Senior Vice-President, Business and Corporate Development and the resignation of Robert Gilmore as a member of the Board of Directors. The Company also announced that Vincent Mora, who had been the Project Director at Steenkampskraal, was no longer performing those duties.

On September 12, 2012, Jim Engdahl announced that he would retire as President and CEO of the Company effective October 1, 2012 and would be replaced by Robert Quinn, a current director, as interim CEO.

On October 3, 2012, the Company announced that the Bonds were listed on the Professional Securities Market exchange in London, United Kingdom.

On November 12, 2012, the Company announced the resignation of Gary Billingsley, Jim Engdahl and Bill McKnight from the Board of Directors. Marc LeVier was appointed to the Board of Directors on December 18, 2012.

#### *Financial Year Ended December 31, 2013*

On January 8, 2013, the Company announced the appointment of Mr. Ron Hochstein to the Board of Directors.

On January 9, 2013, the Company announced the appointment of Marc LeVier as President and CEO. The Board of Directors was further strengthened via the appointment of Lenard Boggio on January 14, 2013.

On January 21, 2013, the Company announced an increased resource estimate on the Steenkampskraal Project and the December 2012 Mineral Resource Estimate supporting this increased resource estimate was filed on March 7, 2013. The December 2012 Mineral Resource Estimate provided a Mineral Resource estimate of 32,100 metric tonnes of TREO under the Indicated category and 42,100 metric tonnes of TREO under the Inferred category, each using a 1% cut-off grade. This represented a 114% increase in the Indicated Resource category and a 219% increase in the Inferred Resource category as compared to the estimates provided in the May 2012 Mineral Resource Estimate. For additional information regarding these estimates, please see "*Mineral Properties – Material Properties – Steenkampskraal Rare Earth Property*" below.

On February 21, 2013, the Company announced that due to the internal investigations into the activities of the former Project Director of the Steenkampskraal Project, South African police had arrested the former Project Director on suspicion of fraud and money laundering. The Company also announced that it terminated the contract with East Rand Engineering Services ("**ERES**"), the contractor that was awarded the earthworks and mine refurbishment contract at the Steenkampskraal Project. The Company had paid ERES approximately C\$12.2 million to date out of an invoiced amount totalling approximately C\$16.5 million (exclusive of VAT). The Company's quantity surveyors and engineers assessed the completed and partially completed works and GWMG is pursuing civil claims against Vincent Mora and ERES to recover damages which may have occurred. As disclosed in the Company's audited financial statements for the year ended December 31, 2012 the Company has taken an impairment charge of \$6.2 million related to certain assets at the Steenkampskraal Project.

Additional information relating to the write down is available in the Company's MD&A for the year ended December 31, 2013, which is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

On February 25, 2013, the Company announced that LCM commenced commercial production with its first rare earth alloy strip casting furnace. A second strip casting furnace arrived in March of 2013, was installed and commissioned in Q2 2013 and is also in commercial production.

On March 5, 2013, the Company announced the promotion of Vic Fitzmaurice as Managing Director of Rareco and the appointment of Chris Naser as Senior Project Manager of SMM. The Company also announced the resignation of David Kennedy as the Chief Executive Officer of Rareco.

On July 2, 2013 the Company announced the retirement of Jim Davidson as CFO and the appointment of Tom Mair as new CFO effective July 8, 2013 and the appointment of Pieter C. de Jager as Financial Director of Rareco and SMM effective July 1, 2013.

On October 28, 2013 the Company announced the selection of consulting engineers to complete the Feasibility Study on the Steenkampskraal Project.

On Nov 12, 2013 the Company announced the results of the October 2013 Mineral Resource Estimate.

On December 4, 2013 the Company announced it had entered into an option and joint venture agreement with Star Minerals Group Ltd. ("Star") in respect of the Hoidas Lake property. Star was granted the option, segregated into two tranches, to acquire from the Company up to a 51% participating interest in the Hoidas Lake Project. The exercise of the first option to acquire a 25% interest is contingent on Star completing an NI 43-101 compliant Preliminary Economic Assessment in respect of the Hoidas Lake Project within two years. Star was also granted the option to acquire an additional 26% participating interest contingent on completing an NI 43-101 compliant feasibility study in respect of the Hoidas Lake Project during the four year period after exercising the first option. All costs and expenses incurred in connection with the exercise of either option shall be paid by Star. On January 20, 2014 bondholders provided the required approval in respect of the joint venture and all conditions precedent thereto were satisfied by the Company and Star.

On December 20, 2013 the Company announced that it had filed the full report for the October 2013 Mineral Resource estimate on SEDAR.

#### *Financial Year Ended December 31, 2014*

On January 15, 2014 the Company announced it successfully produced mixed rare earth carbonate from mini pilot plant testing of material from Steenkampskraal at MINTEK in South Africa.

On January 22, 2014 the Company announced that Donald R. Siemens had been appointed to the Company's board of directors.

On March 3, 2014 the Company announced the resignation of Ron Hochstein from the board of directors and the appointment of Bruce Higson-Smith to the board of directors.

On March 20, 2014 the Company announced its intention to shut down redundant operations at GWTI, due in part to continuing losses and a desire to preserve cash to develop the Steenkampskraal Project. As a result, the Company announced it would not renew GWTI's building lease and would attempt to liquidate the redundant and/or obsolete GWTI assets.

On April 8, 2014 announced that it had entered into a non-binding memorandum of understanding ("MOU") with third party provider or REE separation services. The MOU provided for ongoing technical support as the Company reviewed and advanced the design of its planned production facilities at SKK. On September 8, 2014 the Company announced that it allowed the MOU to expire. With expiration of the MOU, the Company was relieved of the exclusivity requirement contained in the MOU, which enables GWMG to engage in discussions with other operators for contract separation services while continuing conversations with the original separation service provider.

On May 5, 2014 the Company announced that it has entered into an agreement to sell the redundant manufacturing assets of its subsidiary GWTI, effective May 1, 2014. The transaction was completed on May 9, 2014 and the proceeds from the asset sale were used to offset a portion of GWTI's existing liabilities, which included a US\$1.2 million facility restoration liability, as well as other lease and closing costs.

On June 20, 2014 the Company announced that the Feasibility Study was filed under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

On October 6, 2014 the Company announced that it had adjusted the conversion rate as required by the terms of the Bonds. The terms of the Bonds provide that GWMG was required to produce not less than 500 metric tonnes of separated REOs by October 6, 2014, failing which the conversion rate would be reset in accordance with the formula contained in the Trust Deed governing the Bonds. The new conversion rate was set at C\$0.55 per Common Share of the Company, effective for conversion rate calculations on or after October 6, 2014. The original conversion rate was C\$0.66 per Common Share.

Prior to the Feasibility Study being completed, management and the Company's financial advisors had been actively targeting sources of additional financing including alliances with financial, exploration, and mining entities to facilitate the continuation of the Company's operations and debt servicing obligations. That process did not yield additional financing for the Company and accordingly, the Company began discussions to restructure its convertible bonds with the steering committee of the bondholders and their representatives. The Company has been curtailing expenses where possible while keeping its properties in good standing and maintaining its listing requirements.

#### *Subsequent to December 31, 2014*

As of March 30, 2015, the Company had consolidated cash and cash equivalents of approximately C\$5.2 million. The next interest payment on the Bonds of approximately C\$4.5 million (US\$3.6 million) is due on April 7, 2015.

The Company has been engaged in discussions with a Steering Committee of the holders of the Bonds (the "Steering Committee") regarding a potential restructuring of the Bonds. As announced on March 30, 2015, those discussions have not resulted in the Company and the Steering Committee entering into a binding agreement with respect to a restructuring of the Bonds.

The Company is exploring strategic alternatives to a consensual restructuring of the Bonds in the event an acceptable binding agreement with the Steering Committee cannot be reached in a timely manner. Those strategic alternatives may include the initiation of a sale or investment solicitation process with respect to the Company's assets and business and/or the commencement of proceedings under applicable restructuring legislation.

The Company also announced on March 30, 2015 that, as a result of the above circumstances, it will not be able to file its audited annual financial statements for the year ended December 31, 2014 (the "Financial Statements"), its management's discussion and analysis on the Financial Statements, and the CEO and CFO certificates in respect of the Financial Statements for the year ended December 31, 2014 (collectively, the "Reporting Documents") by March 31, 2015.

The Company has filed an application with the Financial and Consumer Affairs Authority of Saskatchewan, its principal regulator, for a management cease trade order, in accordance with National Policy 12-203 - Cease Trade Orders for Continuous Disclosure Defaults ("NP 12-203"). If approved, this application would give the Company extra time to determine whether a consensual restructuring or a strategic alternative transaction can be reached with the Steering Committee or to proceed independently with a strategic alternative transaction, which in each case should enable the Company to file its Reporting Documents without a full cease trade order being issued. There can be no certainty that a management cease trade order will be granted. The applicable regulatory authorities may instead determine to issue a full cease trade order against the Company.

## **DESCRIPTION OF THE BUSINESS**

### **General**

Historically, the Company was engaged solely in the exploration and development of mineral properties. The scope of operations was expanded, first in December, 2005, with the purchase of specialty metal manufacturing assets in relation to GWTI, and then in June, 2008, with the purchase of LCM, to include value-added manufacturing

capability. The Company is now engaged in the exploration and development of its Steenkampskraal REE property, and the manufacturing and marketing of products containing REE via LCM.

The Company is a Canadian-based company with a goal of pursuing a “mine to market” business model to become a fully integrated rare earth producer. Through its subsidiary, LCM in Ellesmere Port, United Kingdom, the Company is a manufacturer and supplier of rare earth-based alloys, specialty alloys, high purity metals, ultra-high purity indium, powders and related value added products. The alloys produced by LCM contain transition metals, including nickel, cobalt and iron, together with REEs and are used in the battery, magnet and aerospace industries. Refined REEs are high-value products that are used as catalysts and in high technology applications that utilize the REEs unique and exceptional magnetic, optical and electronic properties. In particular, REEs are critical to many alternative energy applications including fuel cells, rechargeable batteries, hydrogen storage materials and permanent magnets. The automotive industry, and in particular the hybrid vehicle sector, are major consumers of REEs.

In addition to the Company’s manufacturing facility, its wholly-owned subsidiary, Rareco, indirectly controls the Steenkampskraal monazite mine, located approximately 350 kilometers northwest of Cape Town, South Africa. The Steenkampskraal mine is a past-producing thorium/rare earth mine that was the subject of the Feasibility Study completed in 2014. The Company also holds a 100% interest in the Hoidas Lake rare earth mineral property in Saskatchewan, Canada, which is the subject of the Barr Report and the Hoidas Joint Venture Agreement. In addition, the Company holds two other inactive exploration-stage rare earth properties in North America.

Over the past several years, the Company has taken a number of steps to effect its transformation from a rare earth exploration company to become a rare earth processing company with mining and exploration interests. The next step in the Company’s transformation is to become a fully integrated rare earth producer by focusing on and advancing the development of the Company’s Steenkampskraal Project, its proposed mixed rare earth carbonate facility and securing solvent extraction capacity/capabilities to ultimately supply feedstock to its downstream processing facilities at LCM. The Company’s immediate focus is on the development of the Steenkampskraal Project including the restructuring of its outstanding Bonds and obtaining required production financing.

At its Hoidas Lake property, the Company has completed its exploration activities, has received initial results of its metallurgical testing intended to determine the optimal process techniques for recovery of the identified resources. Further activities at Hoidas Lake are subject to the terms of the Hoidas Lake Joint Venture Agreement and will be conducted by Star as operator.

The Company believes that its vertically-integrated business model will position it to take advantage of the anticipated strong demand for rare earths. REE raw materials and REE value-added products are essential to many “green” technologies such as hybrid vehicles and wind power, and the Company believes that global efforts to reduce reliance on fossil fuels in favour of alternative energy sources presents an extremely attractive opportunity for producers of REEs. There has also been an increase in awareness that certain REE-bearing materials are critical to military applications, domestic security and certain segments of the U.S. economy. Global demand is expected to grow from an estimated 115,000 tonnes REO in 2012 to 152,500 tonnes REO in 2018<sup>1</sup>. The supply of rare earth oxides has largely been dominated by China, which provided 86% of the world’s production in 2014 but only has 42% of the world’s known reserves of rare earth<sup>2</sup>. In the rare earth magnet application sector, Deutsche Bank AG forecasts cumulative demand growth of 60-70% by 2018 based on an analysis of growth in end-user markets<sup>3</sup>.

China imposed export quotas on rare earths in 2005 and reduced exports by 50% over the following six years. This effectively created two separate rare earth markets, one internal to China and one for the ROW. Drastic quota reductions in late 2010 and early 2011, together with attempts by the Chinese government to introduce more regulation to the industry, led to a speculative price spike in both domestic Chinese and export markets for rare earth oxides. Total annual export quota tonnages have remained relatively stable since late 2010 however the quota was

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<sup>1</sup> Deutsche Bank Markets Research, *LYC FITT 15072013*, Investment Thesis (Sydney, Australia: Deutsche Bank AG 2013).

<sup>2</sup> J. Gambogi, *Rare Earth, Mineral commodity Summaries 2015* (Reston, VA: U.S. Geological Survey, Jan 2015).

<sup>3</sup> Deutsche *supra* note 1.

extended to cover certain ferroalloys containing rare earths in 2011, and in 2012 the quota was split into heavy and light rare earth components<sup>4</sup>.

A request for consultations regarding China's rare earth, molybdenum and tungsten export policies was lodged with the World Trade Organization ("WTO") by the United States, the European Union, and Japan in March 2012<sup>5</sup>. The dispute resolution panel circulated its report in March 2014. After appeals by both the United States and China, the appellate body delivered its ruling in August 2014. The appellate body generally upheld the rulings of the dispute resolution panel, which determined that export quotas and tariffs on rare earths, tungsten, and molybdenum were inconsistent with the China's Accession Protocol to the WTO, China's Accession Working Party Report, and the GATT 1994, and further recommended that the Dispute Ruling Body request China to bring its measures into conformity<sup>6</sup>.

Export quotas were removed in December 2014<sup>7</sup> and a concurrent announcement described the establishment of a new export licensing regime. Comments by Ministry of Commerce spokesperson Shen Danyang at a press conference on January 21, 2015 established that China intends to remove export tariffs on May 2, 2015<sup>8</sup>.

Compounding the scarcity of supply to the ROW imposed by the quota, the government of the People's Republic of China (the "PRC") also controls gross Chinese domestic production of rare earths via a production quota applied to mining operations and is attempting to enforce strict environmental regulation at separation operations. The domestic Chinese industry also continues to be consolidated into majority state-owned enterprises<sup>9</sup>. The government of the PRC has recognized that illegal mining and exports are significant and have committed to reduce these sources of supply<sup>10</sup>. Recent announcements indicate that eight government departments are coordinating efforts to reduce illegal rare earth mining activity, and investigations are due to be completed by 20 April 2015<sup>11</sup>.

Over the last decade, many ROW companies have established manufacturing facilities in China to take advantage of the lower domestic Chinese prices and remain competitive with their Chinese peers. Recent softening of rare earth oxide prices in the export and domestic Chinese markets may be the result of continuing macro-economic effects stemming from the global financial crisis of 2008 coupled with end user industry de-stocking of inventories in the wake of the 2011 price spike<sup>12</sup>. Despite these effects, the Company believes industry fundamentals remain robust and in order to satisfy estimated ROW demand growth, rare earth production sources and downstream processing capacity outside of China may need to be developed. The Company believes that it, by virtue of already holding key components of the full integration model, is well positioned to be at the forefront of this global expansion.

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<sup>4</sup> Ministry of Commerce, People's Republic of China, *Notice No. 28, 2011 of the Ministry of Commerce and the General Administration of Customs on Applying Rare Earth Export Quota – License Administration to Rare Earth Ferroalloy*, (People's Republic of China: Ministry of Commerce, 2011) also available at [www.english.mofcom.gov.cn](http://www.english.mofcom.gov.cn), 2011; and *see also*

Chegwidden, Judith. *Overview of the Chinese Rare Earth Market*, Metal Events Ltd., 8<sup>th</sup> International Rare Earth Conference (Hong Kong: Roskill Information Services Ltd. 2012).

<sup>5</sup> China - Measures Related to the Exportation of Rare Earths, Tungsten, and Molybdenum—Request for Consultations by the United States. Number WT/DS431/1 (G/L/982). World Trade Organization, Geneva, March 2012.

<sup>6</sup> China - Measures Related to the Exportation of Rare Earths, Tungsten, and Molybdenum—Reports of the Appellate Body. Number WT/DS431/AB/R (AB-2014-3 through AB-2014-6). World Trade Organization, Geneva, July 2014.

<sup>7</sup> Ministry of Commerce - People's Republic of China. Official of Chinese ministry of commerce comments on cancelling rare earth export quotas. Press Release: [english.mofcom.gov.cn](http://english.mofcom.gov.cn), January 2015.

<sup>8</sup> Ministry of Commerce - People's Republic of China. Regular press conference of ministry of commerce on January 21, 2015. Press Release: [english.mofcom.gov.cn](http://english.mofcom.gov.cn), January 2015

<sup>9</sup> Chegwidden *supra* note 4.

<sup>10</sup> Xue, Margaret. *Pr/Nd expectations bullish, some suppliers refuse to quote, crackdown may spread to Baotou*. Metal-Pages, July 19, 2013.

<sup>11</sup> Z. Wang. China acts to rein in illegal activity in rare earths. [www.chinadaily.com.cn](http://www.chinadaily.com.cn), February 2015.

<sup>12</sup> Kingsworth, Dudley J. *Curtin-IMCOA Bulletin #4*, technical report (Curtin University / IMCOA, 2013)

## Business Strategy

The Company's objective is to become a fully integrated rare earth producer by focusing on and advancing the development of its Steenkampskraal property to supply feedstock to its processing facility. To achieve this objective, the Company plans to operate a rare earth supply chain from exploration through to the alloy sales phase:

Exploration → Mining → Processing → Separation → Metal Making → Alloy Making → Alloy Sales

The Company's key strategies in each of these phases of the supply chain are as follows:

- **Exploration and acquisition** - The Company's long term exploration plan has focused on HREE projects, relatively politically stable jurisdictions, potential off-take agreements and increasing the supply of feedstock for the Steenkampskraal processing and future separation operations. At the Steenkampskraal Project, the Company completed the following: geological drilling in February 2013; the December 2012 Mineral Resource Estimate and December 2012 PEA; and the October 2013 Mineral Resource Estimate. These efforts contributed to, and culminated in the completion of the Feasibility Study in mid-2014. The Company also holds a five year prospecting right over approximately 55,000 hectares of land surrounding the Steenkampskraal Project. The Company's portfolio of additional non-South African earlier-stage exploration properties have been put on care and maintenance or allowed to lapse so as to not detract from the Steenkampskraal Project.
- **Mining** - The Company's projections for the Steenkampskraal Project include complete refurbishment of the underground mine and related facilities, as well as preparing the site for mining activities, mineral processing, and production of mixed rare earth carbonate.
- **Processing** - The Company has completed the initial design of the REC Plant at the Steenkampskraal mine site in the Feasibility Study. The planned development of the processing operation includes: beneficiation of monazite mineral at the mine site to produce a mineral concentrate and removal and storage of thorium and other radioactive materials during the processing stage followed by hydrometallurgical processing to produce a mixed rare earth chloride or carbonate. The REC Plant design contemplates converting such chloride to carbonate in the event that long distance transportation is required.
- **Separation** - The Feasibility Study contemplates the use of toll separation services provided by third parties, which is intended to provide the Company with cash flow within an improved timeframe and to reduce initial capital costs associated with the Steenkampskraal Project. The Company has also entered into the GQD Agreement which contemplates the construction of proprietary rare earth separation facility, located in proximity to the Steenkampskraal mine site. The availability of financing, prevailing macro-economic and other commercial considerations will determine the Company's preferred route to achieve the separation of the mixed rare earth chloride into individual REOs. The Company currently anticipates that eight REOs (plus yttrium) would be selectively purified and recovered. The Company anticipates that certain of the recovered REOs will be shipped to LCM for metal making and alloy processing, and other selected oxides may be processed into other chemicals, such as carbonates, and sold to potential joint venture purchaser(s) pursuant to future offtake agreements, with the remainder sold on the open market.
- **Metal making** - The Company intends to develop metal making capacity and facilities alongside the continued expansion of LCM's alloy processing capacity. The conversion of rare earth oxides and rare earth fluorides into metals containing rare earth elements is critical to the production of permanent magnet alloys.
- **Alloy making** - The Company intends to leverage LCM's 20 plus years of experience in alloy processing. The Company has installed two new furnaces at LCM which has increased alloy making capacity from 1,100 t.p.a. to 2,500 t.p.a. The furnaces are 600 kg vacuum induction melting and solidification types, with strip casting capability, producing thin brittle alloy strip nominally 0.2 mm to 0.5 mm nominal thickness.

- **Sales** - The Company intends to leverage its specialized skill and knowledge in marketing rare earth products.

The Company's final customers are, and it expects they will continue to be, primarily magnet makers that sell to some of the world's largest auto and industrial manufacturers.

In connection with the need to restructure its Bonds, the Company continues to assess strategies to reduce all spending not directly associated with the Steenkampskraal Project.

### **Business Strengths and Competitive Advantages**

The rare earth industry is intensely competitive in all of its phases, and the Company competes with many companies, primarily in China and Japan, each possessing greater financial resources, technical facilities and ease of access to raw materials than the Company currently possesses. To effect its strategies and realize its objective of becoming a fully integrated rare earth producer, the Company believes it benefits from the following business strengths and competitive advantages:

- **An established rare earth metal alloy manufacturing facility** - The Company has an established rare earth metal alloy manufacturing facility with a strong customer base. It sells approximately 83% of its products in Europe, 14% in the Far East and 3% in the United States. LCM has been able to maintain its market share. The Company believes this is due to the high quality of LCM's products, and as a result of customers looking for alternate alloy producers outside of Asia as a method of diversifying their supply chain.
- **Right-sized business model** - The Company has one of the most robust rare earth element deposits in the world, with the right distribution of critical rare earth elements, the lowest capital cost requirement of any significant rare earth element project and is supported by very high TREO grades.
- **Becoming a fully integrated producer** - The Company is implementing its plan to move from being an "integrated rare earth processor" to being a "fully integrated rare earth producer". If it is successful in completing this transition, the Company expects that the majority of its revenues will be generated by downstream processing activities, the area in which the Company believes it has a significant competitive advantage based on its experience. The Company also anticipates that intermediate products that are not required for its downstream processing activities will be sold on a market basis.
- **Experienced and highly qualified management team** - The strategic development of the Company is being guided by a highly experienced and qualified group of management that has very strong project management, mining and processing experience within the mining sector. Management of the Company possesses key skill sets and experience with respect to all of the jurisdictions in which the Company's divisions operate, including extensive mineral processing experience, mining exploration, production experience and significant expertise in buying and selling rare earth materials throughout the world. The Company believes its management group has the well rounded experience base required to develop its fully integrated rare earth production model. See "*Management*".

### **Employees**

The Company had 3 employees and 3 contract senior officers as at December 31, 2014, who manage its affairs with the assistance of its non-executive directors and independent consultants. Rareco and SMM had a total headcount of 23 employees, contractors and consultants as at December 31, 2014. Of this total, Rareco in particular had 1 employee and 1 contract officer which are the Managing Director and Financial Director, respectively, of the South African group of companies. SMM and Rareco have a head office located in Somerset West, Cape Town, in the Western Cape Province. As at December 31, 2014, SMM employed 21 people. As at December 31, 2014, GWTI had no employees due to the sale of its assets in 2014. LCM had 31 employees including management, all at its head office in Ellesmere Port, United Kingdom. Development of the Company will be dependent upon it having the funds necessary to, and being successful in, employing and retaining skilled personnel.



## **Processing Facilities**

Through its subsidiary LCM, the Company is a leading manufacturer and supplier of rare earth-based alloys, specialty alloys, high purity metals, powders and related value added products. The Company's processing facilities form the basis of its marketing strategy for specific products the Company expects to eventually produce from the Company's rare earth mineral properties, associated processing facilities and other sources, and are an integral component of its plan to become a fully integrated rare earth producer. The Company's processing facilities at LCM generated revenues of \$15.1 million in 2012, \$16.7 million in 2013 and \$22.4 million in 2014.

## **Less Common Metals Limited**

### *Summary*

LCM was acquired by the Company in 2008. It is headquartered in Ellesmere Port, U.K. and is a manufacturer specializing in the area of permanent rare earth magnet alloys that has been in business since 1992. Specializing in alloys demanding tight compositional tolerance, LCM has flexible processing capability enabling it to produce a wide range of rare earth metals and their alloys in a variety of physical forms. LCM, along with GWTI, has been considered the Company's manufacturing segment until the assets of GWTI were sold in 2014.

### *Principal Markets*

The main market for LCM is permanent magnet manufacturers. LCM produces NdFeB and SmCo alloys for the permanent magnet industry. The permanent magnet manufacturers that purchase alloys from LCM are located primarily in Japan and Europe. LCM is also a leader in a co-reduction process for making SmCo alloys. LCM has expanded its vacuum melting capacity to include the latest "strip casting" methods for the manufacture of feedstock for sintered Neodymium-iron-boron magnets. The scale of production expansion has been designed to produce up to 3,300 t.p.a. of alloys, with the timing of installation of additional equipment being planned to match projected output from the Steenkampskraal Project.

### *Distribution*

LCM's products are shipped from Ellesmere Port, United Kingdom by truck, air and/or transport ship to international destinations.

### *Sales*

For the year ended December 31, 2014, sales from LCM and included in the accounts of GWMG totalled \$22.4 million or 100% of total sales from continuing operations. This represented an increase \$5.7 million from 2013.

### *Production*

LCM most commonly uses three processes in its alloy production: (i) strip casting; (ii) book-mould alloy casting; and (iii) co-reduction.

### Casting

Vacuum induction melting ("VIM") is the main process for producing an extensive array of rare earth-based metals and alloys. These products can either be cast or produced as powders. VIM is a highly flexible process for manufacturing an extensive range of rare earth based metal and alloy systems. LCM engineers have combined materials technology with manufacturing excellence to develop production techniques for a vast number of metals and alloys. Microstructural control is achieved by careful selection of appropriate casting conditions. In some instances, material may be subjected to post-cast heat treatments in order to give the required grain size and phase distribution.

Individual melt sizes range from five kilograms to 300 kilograms using any one of six standard vacuum induction furnaces at LCM and up to 600kg per melt in strip casting furnaces. Comprehensive production control provides excellent melt reproducibility making individual batch sizes of any quantity feasible, with typical production batches ranging from tens of kilograms up to two metric tonnes and above.

#### Co-reduction

Since the acquisition of the co-reduction process from the inventors and patent holders, Elektro-Thermit, in 1996, LCM has worked extensively to improve process control and lower impurity levels. The manufacture of SmCo alloys via the co-reduction of an oxide mix is a specialised process yielding industry standard SmCo5 production. Furthermore, the development of co-reduced Sm2Co17 alloys offers a genuine alternative to cast and crushed alloys. The Company's range of co-reduced Sm2Co17 alloys has a demonstrated track-record for reliable and efficient performance.

Different alloy compositions are readily available. Variations on the process permit the incorporation of different REOs into the reactant mix; Praseodymium and/or Gadolinium being common additions to SmCo based alloys. Co-reduction is an extremely versatile technique, with production batches ranging in size from 200 kilograms to 2,000 kilograms.

#### Powder production

Several of LCM's alloys and metals are supplied in the form of powders, manufactured either directly by co-reduction, or by the crushing and milling of cast materials. LCM powders are produced to closely controlled particle size distributions, with focus on consistent and reproducible materials in order to maximise reliability. Materials that are susceptible to oxidation are processed under inert atmosphere in the Company's purpose built plant to yield low oxygen products. Other potential contaminants are minimized through the optimization of specific powdering techniques for each product type. This expertise, coupled with the appropriate selection of precursor raw materials and pre-powder processing, results in products meeting the most demanding technical specifications.

#### Metal making

LCM has the capability for the metallothermic reduction of rare earth fluorides to metals. This enables a number of rare earth metals to be produced and is particularly suited for production of Dysprosium, Terbium and various higher purity rare earth metals. LCM is also able to reduce Samarium oxide directly to SmCo alloys using a co-reduction process discussed above. This process may also be used for more complex SmCo alloys containing Praseodymium and Gadolinium and for the "2-17" SmCo alloys with additions of copper, iron and zirconium. The bulk production method for Neodymium, Praseodymium and Lanthanum, known as "Fused Salt Electrolysis" commenced with a pilot plant at LCM in, 2013. This process enables reduction of REOs (for example Neodymium oxide, Nd2O3) to rare earth metal by electrolysis in a liquid salt bath (for example Neodymium fluoride). This is a very similar process to that employed worldwide for reduction of alumina (Al2O3) to aluminum. The first two development cells have been installed at LCM and capacity will be extended once development financing is obtained.. The final metal production technique known as "reduction-sublimation" which is particularly used for pure Samarium will also be installed at LCM.

#### Strip Casting

Due to increased demand, LCM began the first phase of its expansion program in October 2010 by ordering new equipment. Based in part on requests from LCM's customer base for a new product, LCM commissioned its first rare earth alloy strip casting furnace in 2012 and a second strip cast furnace in 2013. These two furnaces increased the capacity of LCM from approximately 1,100 t.p.a. to over 2,500 t.p.a.

### *Expansion and Future Plans*

In addition to the two new strip casting furnaces, LCM intends to proceed with an expansion process that is scheduled to see its capacity increase to match the potential output from the Steenkampskraal Project and the anticipated demand of its major customers.

### *Specialized Skill and Knowledge*

The type of manufacturing carried out by LCM requires a high level of specialized skill and knowledge. Not only is this skill and knowledge required to manufacture the products, it is also necessary in marketing the products. The core personnel at LCM have been working in the rare earth product area for over 20 years with LCM. The key employees have many years of experience in the manufacturing and marketing of rare earth products and are well known in the rare earth industry.

### *Competitive Conditions*

LCM works in a highly competitive industry. The competition is located primarily in China and Japan, with very few competitors outside of those countries. LCM has been able to maintain its market share. The Company believes this increase is due to the high quality of LCM's products, and as a result of customers looking for alternate alloy producers outside of Asia as a method of diversifying their supply chains. LCM's customers themselves are under significant price pressure from their customers, the magnet makers, due to ready availability of low-cost magnets from China. This has led to some revisions in expansion plans and is likely to impact LCM's opportunities for further growth ahead of:

- a. A return to more favourable market conditions, in particular removal of the two-tier pricing for rare earths inside and outside China; and,
- b. Establishment of the Group integrated supply model.

### *Components*

The key raw materials for the alloys produced by LCM include common metals such as cobalt, iron, ferroboron, and rare earth metals such as: Lanthanum, Samarium, Neodymium, Praseodymium, and Dysprosium. All of the common metals are currently readily available from Europe, North America and Japan, however, the rare earth metals required for these alloys are mainly sourced from China. In 2011 there was a tightening in the availability of certain rare earth materials. China imposed physical production and export quotas on rare earth products as well as imposing export tariffs on most of the products it allows to be exported. These policies continued to affect the rare earth market throughout 2013 and 2014 creating a two-tier pricing structure for rare earth raw materials, being inside and outside of China pricing. In addition, China has been consuming more of its rare earth production internally, making less available for export. Management believes this is an additional factor that makes the Company's mine to market business model sensible and attractive from both a mining and production perspective and a manufacturing perspective.

### *Cycles*

The business carried on by LCM is not highly cyclical in nature, but it can be affected by global events. The automotive industry is a major consumer of rare earth-based products, and events that negatively affect automotive sales can have an indirect impact on LCM through its automotive industry based customers.

### *Employees*

At December 31, 2014 LCM had 31 employees and at the date of this AIF LCM the number of employees remains unchanged from year end.

### *Foreign Operations*

Since LCM is located in the UK and its major customers are located in Japan, Europe and the United States, LCM is virtually 100% dependent on foreign consumers for its revenue.

### **Great Western Technologies Inc.**

GWTI has been considered part of the Company's manufacturing segment along with LCM and was capable of producing NiMH powder, used in hydrogen storage materials and NiMH rechargeable batteries, and a range of other specialty metals, powders and super alloys. However, after approximately a decade of losses and in light of the continued weak market in the U.S. and the United Kingdom for GWTI's products the Company announced on March 20, 2014 that it was planning for the orderly closure of GWTI's facility. On May 1, 2014 GWMG entered into a purchase and sale agreement, and the sale of GWTI's assets was completed on May 9, 2014. The proceeds from the asset sale were used to offset a portion of GWTI's liabilities, which included an US\$1.2 million facility restoration liability, as well as other lease and closing costs. GWTI remains as an inactive subsidiary of GWMG with no assets or operations.

### **Rare Earth Extraction Co. Limited**

The Company owns 100% of the ordinary shares of Rareco, which owns 74% of the outstanding ordinary shares of SMM, with the remaining 26% of the shares being held by SWT. The South African government owns the surface and the mineral rights to the 473.71 hectare Steenkampskraal mine site and issued the New Order Mining Right on June 2, 2010 in respect of the Steenkampskraal mine site, which right has a 20 year term subject to further renewals in accordance with the terms of the New Order Mining Right. On September 18, 2012 the Company was also granted a five year prospecting right over approximately 55,000 hectares surrounding the mine site.

Prior to its acquisition of Rareco, the Company entered into the Rareco Offtake Agreement with Rareco on an arm's length basis. Under the terms of the Rareco Offtake Agreement, Rareco agreed to sell and deliver, and the Company agreed to purchase, 100% of the rare earth products produced by Rareco and its subsidiaries.

### **The Steenkampskraal Workers' Trust**

The SWT was established by Rareco pursuant to the requirements of the *Minerals Charter* (South Africa) and the MPRDA that provides for a protocol to empower historically disadvantaged peoples in South Africa. Prior to the Company's acquisition of Rareco, the SWT was established pursuant the SWT Deed dated September 14, 2009 and initial trustees were appointed. In addition, Rareco and the SWT entered into the SMM Shareholder Agreement. The SMM Shareholder Agreement effectively provides that 5% of the total after-tax net profits of the consolidated Rareco group will be paid as a dividend to the shareholders of SMM on an annual basis. SWT will receive its pro rata share of 26% of such dividends as required pursuant to the SMM Shareholder Agreement and Rareco will receive 74% of any such dividends. The beneficiaries of the SWT are the historically disadvantaged South African employees of SMM at the time such dividend becomes payable each year. Pursuant to the SMM Shareholder Agreement and the SWT Deed, the SWT may not sell, encumber or alienate its shares in SMM in any way, nor can it borrow money, and may not use its shares in SMM as collateral to borrow money. In the event that SMM loses its mining rights with respect to the Steenkampskraal mine, the SWT will be required to transfer its shares of SMM to Rareco free of any payment in respect of such transfer.

### ***Steenkampskraal Thorium Limited***

In connection with the acquisition of Rareco, the Company entered into initial agreements and had been in discussions with STL, whereby STL was given the exclusive right to market and sell the thorium which may be produced from the Steenkampskraal Project and stored at the SKK Project site by SMM. At inception, STL had the same shareholder base as Rareco had prior to the Company's first acquisition of any Rareco shares on September 7, 2010 with additional shares having been issued to Rareco and third parties such that Rareco held 22.3% of the outstanding shares of STL. As at December 31, 2014 the Company has returned all of the STL shares held by the Company to STL for cancellation and has voided all agreements with STL.

## **Great Western GQD Rare Earth Materials Proprietary Limited**

GWGQD is an incorporated joint venture organized under the laws of South Africa, which was intended to construct and operate the RE Separation Plant and separate mixed rare earth chloride on a toll basis for the Company. GWGQD is currently inactive. Although the joint venture agreement applicable to GWGQD remains in effect all material activity by GWGQD and the Company has been suspended. The Company is assessing opportunities to have separation completed on a tolling basis by third parties intended to provide the Company with cash flow within a faster timeframe and to reduce initial capital costs associated with the Steenkampskraal Project.

## **MINERAL PROPERTIES**

The Company holds interests in the following properties: Steenkampskraal (Western Cape Province, South Africa), Hoidas Lake (Saskatchewan, Canada), Red Wine (Labrador, Canada), and Douglas River (Saskatchewan, Canada).

### **Material Properties**

The Company holds interests in one material mineral property - the Steenkampskraal Project. To satisfy the reporting requirement of National Instrument 51-102F2 with respect to companies with mineral projects, the Company has opted, as allowed by the instrument, to reproduce the executive summary from current technical report on the Steenkampskraal Project. The disclosure which follows is the Executive Summary from the Feasibility Study. All summaries of and references to, the Feasibility Study are qualified in their entirety by reference to the complete Feasibility Study, a copy of each is available at [www.sedar.com](http://www.sedar.com). Readers are urged to carefully read the full text of the Feasibility Study. Defined terms used in the sections reproduced from the Feasibility Study have the meanings ascribed thereto in the Feasibility Study.

#### Steenkampskraal Rare Earth Property

##### *Introduction*

The following summary is a reproduction of the Executive Summary from the Feasibility Study. The Feasibility Study was filed on SEDAR on June 20, 2014 and is available at [www.sedar.com](http://www.sedar.com) for viewing. All table numbers, figure numbers, defined terms and references used in this section have the meanings ascribed to them in the Feasibility Study. In this section, references to “the ITR” are to the Feasibility Study.

##### *Executive Summary*

Venmyn Deloitte (Proprietary) Limited (Venmyn Deloitte) was requested by Great Western Minerals Group Ltd. (GWMG) to co-ordinate, independently review and prepare a Canadian National Instrument 43-101 (NI 43-101) Independent Technical Report (ITR) on the results of a feasibility study on the Steenkampskraal Rare Earth Element Project (Steenkampskraal Project or the project) in the Western Cape province of South Africa. The Steenkampskraal Feasibility Study (or feasibility study) was initiated in October 2013 by GWMG in order to evaluate in detail the economic viability of the Steenkampskraal Project.

GWMG is a Canadian based publicly traded exploration, mining and specialty rare earth element alloy manufacturing company. The GWMG strategic focus is to create a vertically integrated business which incorporates the entire development cycle from mining of a rare earth element enriched mineral asset, through beneficiation to rare earth element concentrates, separation into high purity rare earth element compounds, and finally to the manufacturing and supply of rare earth element based alloys and high purity metals.

GWMG is the holder of several wholly owned subsidiary companies and mineral resource projects, the latter of which includes the Steenkampskraal Project in South Africa. The Steenkampskraal Project is an advanced brownfields exploration project at the strategic point of reclassification as a development project. The project is centred on the historic Steenkampskraal thorium mine located in the Western Cape province of South Africa, which was exploited by a subsidiary of Anglo American Corporation for its thorium content between 1952 and 1963.

The thorium and rare earth bearing monazite deposit which was the focus of the historic Steenkampskraal Mine has been the subject of several post 1963 technical studies and mineral resource estimates. A Preliminary Economic Analysis (PEA) was completed by Snowden Mining Industry Consultants (Pty) Ltd (Snowden) on behalf of GWMG in December 2012 which demonstrated the economic viability of the project and informed the Steenkampskraal Feasibility Study in terms of technical and economic trade-off studies and options. The feasibility study was intended to investigate at higher degrees of confidence, the optimal mining methodology, the most appropriate and cost effective processing route and estimate the capital and operational costs for an underground mine, concentrator, hydrometallurgical plant and associated infrastructure. In addition, the feasibility study would incorporate new exploration results and an updated mineral resource estimate for the project. The purpose of this ITR therefore, is to summarise and document in a manner compliant with the requirements of NI 43-101, the results of the Steenkampskraal Feasibility Study on the GWMG wholly owned, flagship Steenkampskraal Project.

### **Vertically Integrated Business Model**

Generally, rare earth element (REE) enriched material requires mining and multi-stage processing which can be generically described as physical upgrading of the run-of-mine (RoM) material, followed by chemical beneficiation (acid or alkaline cracking), removal of impurities, production of a mixed REE concentrate (usually a carbonate or chloride), final separation of the mixed concentrate into individual REEs or compounds through selective oxidation/reduction, fractional precipitation, solvent extraction and/or ion exchange and final manufacture of REE metals and alloys.

GWMG's vertically integrated business model, after development of the Steenkampskraal Project, will comprise mine production, physical concentration and hydrometallurgical processing stages, with toll-treatment of the concentrate by an independent third party solvent extraction plant to produce individual, specific purity, rare earth element oxides (REOs) and the conversion of the REO oxides to metal and specialty alloys by a wholly owned subsidiary company located in the United Kingdom.

Most of the mining and processing stages described above are currently planned to be undertaken by GWMG within separate legal entities, which are responsible for specific components of the business model. The parent group company is Canadian registered GWMG which holds a 100% interest in a South African registered REE mining and extraction company, Rare Earth Extraction Co. Limited (Rareco) and a metal and alloy production facility, Less Common Metals Limited (LCM) in the United Kingdom.

### **Property Description and Ownership**

GWMG is the holder of a New Order Mining Right located in the Western Cape province of South Africa and the mining right is surrounded by several GWMG held prospecting rights. The mining right forms the basis of the Steenkampskraal Project while the adjoining exploration rights are collectively called the Greater Steenkampskraal Project. The geological and exploration information for the Greater Steenkampskraal Project properties is summarised in the ITR to provide geological and exploration context only and the properties are otherwise excluded from the scope of the feasibility study.

The Steenkampskraal Project is located in an arid, remote part of the northern Western Cape province of South Africa, approximately 230km south of the Republic of Namibia, 330km due north of Cape Town and 90km east of the Atlantic Ocean shoreline. The topographic and climatic aspects of the region will not impact future development and mining operations and good access to the project area is possible via existing roads. The remote location however results in limited regional power and water supply opportunities but the feasibility study has shown that the project can be cost effectively self-sustaining in terms of its infrastructure requirements.

The Steenkampskraal New Order Mining Right (WC30/5/1/2/2/353) is 473.7 hectares (ha) in extent, located within Portion 1 (Ptn 1) of the farm Steenkamps Kraal 70, and encompasses the historic Steenkampskraal Mine which has been dormant since mining ceased in 1963. The right is held by a GWMG subsidiary, Steenkampskraal Monazite Mine (Pty) Ltd. and is valid until 1 June 2030. The mining right provides access and surface rights to the project

area and GWMG owns several of the farms comprising the adjacent prospecting rights and no legal issues pertaining to access or servitudes exist.

Historic mining exploited a zone of thorium bearing monazite mineralisation where monazite is a group name applied to a series of REE phosphate minerals. The current mine site is superficially contaminated with radioactive material through natural dispersal of the deposit material on surface and historic mining activities. The historic environmental liability is held by the South African government.

### **Scope of the Feasibility Study**

The Steenkampskraal Feasibility Study was undertaken by independent specialist consultants under the co-ordination of Venmyn Deloitte. Mining, processing, engineering, environmental and radiological technical teams contributed to the various feasibility study components and each consultancy nominated an overall Qualified Person in terms of the definition in National Instrument 43-101 Standards of Disclosure for Mineral Projects Part 1.1, who has signed-off the appropriate sections of the ITR.

The scope of the Steenkampskraal Feasibility Study was focused on the wholly owned, flagship Steenkampskraal Project only and was not intended to disclose any technical or economic information relating to the non-South African GWMG exploration projects or any of its subsidiary companies, other than the legal entities directly associated with the project, namely Rareco and Steenkampskraal Monazite Mine (Pty) Ltd. The feasibility study comprised numerous tradeoff studies critical to the final selection of a mining and processing methodology, as the conclusions of the 2012 PEA were considered by GWMG to no longer represent the best and most optimised solutions to the mining and processing complexity of the project. The selected mining, processing and infrastructure design components of the Steenkampskraal Feasibility Study have been optimised by over 35 trade-off and value engineering studies and all major components of the study have been conducted at  $\pm 15\%$  accuracy.

The 2012 PEA included the design and costing of a proprietary solvent extraction separation plant. While the feasibility study includes the revenue from sales of the separated REO product after toll treatment at a third party solvent extraction plant, the battery limit of the engineering design is the production of a mixed REE carbonate before the separation plant. The Steenkampskraal Feasibility Study therefore does not include the design and costing of a separation plant.

The management of the radioactive material formed the critical basis upon which the entire feasibility study was undertaken. The mining licence granted to GWMG stipulates that historic tailings storage facility (TSF) material, historic blasted underground material and surface rock dumps be treated through the Steenkampskraal Process Plant in order to remove the radioactive content and rehabilitate the historic site.

The Steenkampskraal Project design criteria included the following:-

- the requirement from GWMG that 5,000 tonnes (t) of total rare earth oxide+yttrium oxide (TREO+Y<sub>2</sub>O<sub>3</sub>) per annum be produced by the Steenkampskraal Project;
- the design of a small, shallow, underground mine that incorporates the existing historic mine. The mine plan was developed so as to comply with the South African nuclear and radioactivity authority - National Nuclear Regulator (NNR) requirements, as well as local and international environmental, radiological, ventilation, storage and transport of radioactive material, as well as health and safety regulations;
- the Steenkampskraal Process plant was designed to include a Metallurgical Plant (comminution, dense medium separation (DMS), magnetic separation and sizing) and a Hydrometallurgical Plant. The physical beneficiation (front end) section of the Steenkampskraal Process Plant was intentionally designed to successfully treat a variable mining production rate over the life-of-mine (LoM) and considerable ranges in mining dilution from 20% to 80%, as well as the capability of processing run-of-mine (RoM) comprising 100% monazite. Thereafter, a concentration plant was designed to supply a steady feed of approximately 18,454 tonnes per

annum (tpa) of REE mineral concentrated feed to the Hydrometallurgical Plant, the latter of which was specifically designed to limit and minimise radiological risk;

- the Steenkampskraal Feasibility Study was to include capacity for the underground safe storage of radioactive material at the end of the LoM according to specific outlines stipulated by the NNR;
- the Steenkampskraal Processing Plant will produce a series of REE carbonates for 15 REEs and yttrium, not all of which are currently of high value or subject to strong demand in the present REE market. The feasibility study has therefore focused on the current high value REEs and excluded from the economic analysis lanthanum (La), cerium (Ce), holmium (Ho), erbium (Er), thulium (Tm) and ytterbium (Yb). The Steenkampskraal Feasibility Study considers only the oxides of the below listed REEs in the economic analysis, which, when converted to REOs, are defined as Saleable REOs:
  - excluding La, Ce, Ho, Er, Tm and Yb; and
  - including Pr, Nd, Sm, Eu, Gd, Tb, Dy, Lu, and Y.
- the excluded REEs are either extracted on site and stored for later sale as is the case for La and Ce, or else can be separated at the separation plant as required;
- all of the Steenkampskraal Feasibility Study components have been independently reviewed and monitored.

### **Geology and Mineralisation**

The monazite deposit occurs within the Bushmanland Terrane of the Namaqua-Natal Metamorphic Province of Southern Africa and forms part of an intrusive suite emplaced during the 1,100Ma aged Namaqua orogeny and associated regional metamorphic event. The emplacement of the narrow (0.02m to >10m thick) monazite vein is structurally controlled and occurs along a strike length of 1,200m to a known depth below surface of 160m. The geochemically unusual intrusion is considered to have formed through the development of an REE enriched immiscible liquid through fractional crystallisation of a granitic magma or partial melting of a thorium enriched granitic progenitor.

The target mineralised monazite vein strikes eastwest across the Steenkampskraal Project and morphologically is a thin lenticular body, which in three dimensions, appears as a step-like intrusion with dips varying from almost horizontal to 70° as the horizon “steps downwards” in a southerly direction.

The vein undulates and boudinages resulting in variable true thicknesses and is both laterally and vertically continuous, however it has been disrupted by fault structures of varying orientation with displacements of up to 20m. The mineralisation is constrained by known east and west bounding faults but the structural and geological framework is such that potential mineralisation, displaced by tectonic events, could exist beyond the bounding faults.

The TREO+Y<sub>2</sub>O<sub>3</sub> grades (14% TREO+Y<sub>2</sub>O<sub>3</sub> in situ) of the monazite deposit are high for typical REE deposits and vary from 0.40% to 46% and are typically dependant on the quantity of diluting minerals within the mineralised monazite vein and while differing mineralisation styles are recognised, they were not differentiated for the purposes of the geological model.

The grade distribution has historically been considered relatively consistent throughout the deposit. A geochemical 3D modelling exercise has recently shown that Th-REE enriched pockets exist that have been specifically targeted early in the mine plan.

### **Status of Exploration**

Extensive exploration has been conducted both on the mining right area and the surrounding prospecting rights. Geological mapping, scintillometer surveys, geophysical surveys, trenching and surface channel sampling,



underground channel sampling and five phases of drilling have been completed since the acquisition of the project by GWMG in 2011.

The geological and assay information provided from the drilling programmes confirmed historic drilling results, defined strike and down-dip extensions of the target horizon as well as provided information of sufficient accuracy for the definition of Measured and Indicated Mineral Resources. The exploration programmes were conducted according to international best practise guidelines and within the scope of NI 43-101 requirements. The drilling and sampling programmes were, in Venmyn Deloitte's opinion, and that of several additional independent consultancies/Qualified Persons, to be appropriate for the nature and style of mineralisation.

### Mineral Resource and Mineral Reserve Estimates

The geological wireframe model was created from the exploration database in Leapfrog GeoTM using its proprietary vein modelling process. The structural interpretation was based on a synthesis of information including regional tectonic history, regional geological and geophysical surveys, satellite image interpretation, airborne magnetic and radiometric data and underground structural measurements. A total of 12 individual fault, 3D wireframes were created and 14 specific litho-structural domains were defined in the geological model. A mineral resource block model was created using DatamineTM Studio Version 3 and the Mineral Resource for the Steenkampskraal Project at a 1%TREO+Y<sub>2</sub>O<sub>3</sub> cut-off grade and minimum mineralisation width of 20cm, was defined according to NI 43-101 requirements and is presented as follows:

#### Summary Mineral Resource Estimate for the Steenkampskraal Project – October 2013

TREO+Y <sub>2</sub> O <sub>3</sub> SOURCE OF THE MINERAL RESOURCE	CLASSIFICATION CATEGORY	RESOURCE TONNAGE (t)	GRADE (%TREO+Y <sub>2</sub> O <sub>3</sub> )	CONTAINED TREO+Y <sub>2</sub> O <sub>3</sub> (t)
In situ Mineral Resources	Measured	85,000	19.5	16,600
	Indicated	474,000	14.1	67,000
	Inferred	60,000	10.5	6,300
Sub-total in situ	Measured + Indicated	559,000	15.0	83,500
<b>Total in situ</b>	<b>Measured + Indicated</b>	<b>559,000</b>	<b>15.0</b>	<b>83,500</b>
Historic TSF	Indicated	46,000	7.2	3,300
<b>TOTAL (in situ and TSF)</b>	<b>Measured + Indicated</b>	<b>605,000</b>	<b>14.4</b>	<b>86,900</b>

NI 43-101 requires the statement that "Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability"

Source : Snowden 2013 (October Mineral Resource Estimate document)

Comprises Snowden's 'Mine Area' and 'Exploration Area'

Mineral Resource estimate reported at 1% TREO cut-off grade

Mineral Resources are reported inclusive of Mineral Reserves

Mineral Reserves have been defined for the Steenkampskraal Project

Apparent computational inconsistencies due to rounding

Tonnage rounded to nearest 1,000t and contained metal to three significant figures

Mineral Resources reported with a minimum width of 20cm

The conversion of the Mineral Resource estimate to Mineral Reserves was based on modifying factors determined from the Steenkampskraal Project mine design and included in addition, economic and market factors, metallurgical criteria, infrastructure requirements, as well as permitting and social aspects in the conversion process. A minimum mining dilution of 5% was applied throughout, with additional dilutions applied depending on the mining methodology and deposit widths of each stope. The Mineral Reserve estimate based on the NI 43-101 compliant Indicated and Measured Resources is presented below:

### Mineral Reserve Estimate for the Steenkampskraal Project - March 2014

TONNAGE MINERAL RESERVE CATEGORY	(’000 t)	GRADE (%TREO+Y <sub>2</sub> O <sub>3</sub> )	CONTAINED (TREO+Y <sub>2</sub> O <sub>3</sub> )
<b>Underground Mine</b>			
Proven	103.6	12.39	12.8
Probable	651	8.2	53.4
Sub-total	754.6	8.78	66.2
<b>New Combined Tailings</b>			
Proven	-	-	0
Probable	45.1	7.1	3.2
Sub-total	45.1	7.1	3.2
<b>Mine and New Combined Tailings</b>			
Proven	103.6	12.39	12.8
Probable	696.1	8.13	56.6
<b>TOTAL</b>	<b>799.7</b>	<b>8.68</b>	<b>69.4</b>

Source : Sound Mining 2014

Excludes Inferred Mineral Resources

Estimate is based on a fully diluted, delivered to plant model

Variable mining widths and dilutions

Discrepancies in totals due to rounding

Modifications to the Mineral Resource estimate guided by cut-off grade of 5% TREO+Y<sub>2</sub>O<sub>3</sub>

Radiological planning constraints included in modifying factors

Economic viability based on an in situ basket price of USD26.80/kg TREO+Y<sub>2</sub>O

Overall mining conversion rate from Mineral Resources to Mineral Reserves of 79%

### Mine Design and Mining Methodology

The mine design is unique in that it is specifically undertaken with radiological modelling as its basis and included numerous trade-off studies particularly with respect to stope design, materials transport design and labour requirements which were all specifically based on the radiological models. The Steenkampskraal Mine has been planned as a small, shallow underground mining operation incorporating the historic mine area, over a deposit strike length of 1,200m to a depth below surface of 160m. Two appropriate mining methods have been selected to excavate the mineralisation depending on the deposit dip and thickness and these are conventional down dip stoping and mechanised long hole open stoping, both of which are well understood and widely practised in South Africa

A 13 year LoM plan has been prepared which provides for the mining of 807kt of RoM from stoping of the mineralisation and 292kt of development waste, with additional supplementary material (450,500t) in the form of historic ballast, mud and rehabilitated rock from planned existing ore drives. Steady state mining conditions can be defined as the point at which the designed mining production is achieved, in this case Year 3 at 76,000tpa, or the point at which the final product production of approximately 5,000tpa %TREO+Y<sub>2</sub>O<sub>3</sub> is reached, which occurs in Year 4. During steady state, the mining rates over the LoM are not constant and reflect the variability of the %TREO+Y<sub>2</sub>O<sub>3</sub> grade, the mineralisation thickness and off-reef development requirements necessary to sustain the targeted %TREO+Y<sub>2</sub>O<sub>3</sub> production target. The total mining rate typically varies between 6,727tpm and 11,460tpm, with variable mining dilution rates applied as a function of the deposit thickness and mining methodology applied in each stope,

Geotechnical guidelines for the design and stoping layouts have been established based on historic, as well as new empirical measurements and observations.

The underground radiological modelling and ventilation studies have shown that the Steenkampskraal Mine underground mining operation can be operated safely and in an environmentally acceptable manner if the designed ventilation controls are maintained, the recommended radiological mitigation practices are applied and the principles of radiological exposure time management are enforced on all workers, operators and employees. The ventilation model has determined that the ventilation circulation ceiling is 240m<sup>3</sup>/s; which is currently imposed by mine geometry and airway size, and can be increased if required through the strategic placement of additional raise bore airways and the resizing of intake airways. A comprehensive ongoing Occupational Health Monitoring Programme is

essential and will require a three-tiered monitoring programme to address radiological exposure, toxicological exposure and carcinogenic exposure.

The feasibility study incorporated modelling of all these aspects and a surveillance system will be required to monitor the movement of radioactive material throughout the mine which will permit control of moved material, understanding of the radiological load of the blasted material and management of individual radiological exposure.

Studies undertaken regarding the control of emissions from the ventilation fans have indicated that mitigation steps will be required to reduce radioactive plume fallout concentrations at ground level to acceptable levels and to minimise the risk of short-circuiting between the exhaust fan plumes and intake airways. The implementation of dilution at source principles has been determined as the most efficient and cost effective solution.

The mine design includes capacity for the underground safe storage of radioactive material at the end of the LoM according to specific outlines stipulated by the NNR;

### **Metallurgical Testwork and Process Plant Design**

Detailed bench scale and mini-pilot plant scale testwork programmes were undertaken both in South Africa and Canada. The various metallurgical testwork programmes included trade-off studies on different methodologies of physical beneficiation and hydrometallurgical testwork, known as cracking which provided the information required to define a process flow sheet and the required design parameters for the plant engineering design. The testwork results were detailed enough that capital and operational cost estimates at a 15% accuracy level could be generated for the majority of the proposed Steenkampskraal Process Plant circuits. The testwork further provided comfort that impurities could be satisfactorily removed and that a final concentrate product could be produced within specifications obtained from an independent toll-treater separation and refining company.

The Steenkampskraal Process Plant is a unique design specifically undertaken to limit and minimise radiological risk but comprises standard equipment and processes used throughout the mining sector. The radiological risk mitigation comprises classification of the plant into areas of graded risk, high security areas, boundary walls, remote CCTV monitoring, dust suppression and remote control inspection.

The process plant construction was specifically designed in a phased approach so that the historic surface TSF material (46,000t) can be processed through the Hydrometallurgical Plant which is to be constructed first, with the Metallurgical Plant undergoing later construction at the same time as the development of the underground mine. The capital expenditure for the processing plant is thereby split over two years. The total tonnage treated by the processing plant over the 14 year life-of-project is 918,474t, including tailings, rock dump and supplementary underground material. The process plant will operate beyond the cessation of the mining activities in year 13, in order to complete the underground clean-up and surface rehabilitation.

The Metallurgical Plant comprises a comminution section and concentrator plant with variable capacity (between approximately 65,000tpa to 146,000tpa) comprising two-stage crushing, grinding/milling, magnetic separation and dense medium separation (DMS). Due to the nature of the DMS design, it produces a consistent 18,454tpa, high grade feed to the Hydrometallurgical Plant. The design is project appropriate, cost effective and a reliable solution to the anticipated fluctuation in plant throughput and RoM grade.

The Hydrometallurgical Plant incorporates various circuits for acid cracking of the upgraded REE mineral concentrate ( $\pm 30.0\%$  TREO+Y<sub>2</sub>O<sub>3</sub>), water leaching, double REE salt precipitation, solid/liquid separation, impurity extraction, reagent recovery and carbonate precipitation in a complex flowsheet which however is based on known and tested technologies, which have been combined in a unique manner to accommodate the variability and risks associated with the mineralised monazite vein material. The total recovered saleable product over the life-of-project is 19,661t. The overall plant recovery of saleable REE carbonate before toll treatment, based on supported testwork, is expected to be 85% and the entire process recovery from delivered RoM to separation at the toll-treatment plant is 83%.

The processing plant has included as part of the infrastructure, a steam and sulphuric acid production plant which supplies more than sufficient acid for the plant requirements and provides steam which significantly reduces power consumption. A sodium sulphate regeneration circuit is also included to reduce reagent costs.

### **Project Infrastructure**

Infrastructure designs have been undertaken for the underground mine operation and the surface process plant including site plan, power reticulation, bulk and potable water supply, roads, buildings, workshops, administration, reagent and fuel stores and security.

The remote and arid nature of the northern Western Cape results in the unavailability of national grid power or water supply. The power supply was designed as a result of various trade-off studies and comprises a battery of three diesel generators (1.5MW capacity each) under hire for two years and purchased outright thereafter. In addition a photovoltaic solar farm will provide 2.7MW independently of the diesel generators.

The underground bulk water supply has been identified through hydrological and hydrogeological studies and drilling campaigns, as a series of aquifers with a combined capacity of 7.5Mm<sup>3</sup> which are more than capable of supplying the required maximum 750m<sup>3</sup>/day to the Steenkampskraal Project. The potable and process water will be treated in reverse osmosis plants and much of the process and underground water will be purified and reused.

The new tailings arising from the process plant will be stored in a series of Residue Containment Ponds (RCPs) which will be excavated as required and rehabilitated with non-radioactive waste from the off-reef underground developments.

Radioactive material from the thorium and uranium removal circuits in the process plant will be stored in the underground long term storage vault.

### **Environmental and Social Study**

GWMG is the holder of a valid New Order Mining Right with an underlying approved Environmental Management Programme Report (EMPr). In addition GWMG has a Certificate of Registration with the NNR, has approved authorisation for construction and mining in terms of the land use planning ordinance and will shortly receive the required water use licence. GWMG has the necessary environmental permitting and authorisations required to continue progressing to a future construction phase. Venmyn Deloitte considers that GWMG has adequately anticipated the additional studies required for the environmental authorisations to proceed into the construction/operational phase, and all of the necessary studies are either currently being undertaken or have been anticipated and are undergoing investigation or planning. An amended EMPr has been completed and submitted for approval so that the EMPr will be current in terms of new legislation, mining plans and environmental planning and permitting. The approval of the EMPr Amendment will ensure that the Steenkampskraal Project is almost entirely compliant with International Finance Corporation (IFC) Performance Standards.

The potentially problematic radiological aspects of the project are suitably constrained by the existence of a Certificate of Registration with the NNR which establishes the extraction, storage and transportation criteria required for the Steenkampskraal Project radioactive material. The GWMG approach to the radiological issues has been detailed and is rigorously in-line with the NNR recommendations, rendering the environmental liabilities manageable and mitigating potential risk to acceptable levels.

GWMG is cognisant of its obligation towards rehabilitation and closure financial provision and has created a trust fund, the quantum of which has been specifically estimated in order to be currently sufficient for any possible premature closure liabilities. As the project progresses and during the LoM, continual annual provisions have been provided for in the financial analysis to ensure sufficient funds for the CAD6.35m (ZAR61m) closure costs and the costs for monitoring and post closure management of residual and latent environmental impacts. GWMG has undertaken considerable rehabilitation measures already, of which the DMR is aware and for which GWMG may be compensated through adjustments to future royalty calculations.

Given the current and planned management of environmental risks, Venmyn Deloitte considers that the environmental aspects of the Steenkampskraal Project have been adequately considered and addressed for the feasibility study. Furthermore, the anticipated authorisations for the construction and operation phases are in the process of being completed and no serious risk of potential fatal flaws to the project implementation has been identified;

### Steenkampskraal Project Capital and Operational Expenditure Estimates

The capital and operating cost estimates were undertaken in South African rands (ZAR) which were converted into Canadian dollars at an exchange rate of ZAR9.61:CAD1. The cost estimates were based on supplier quotations to a 15% accuracy. An overall project contingency was not applied, but each project component applied contingencies relative to the risk applicable for that section. The process plant contingency was estimated as an overall figure from a weighted average of the various components, while the mining study contingency was factored into the capital expenditure and not quoted as a separate weighted average.

The total capital expenditure for the Steenkampskraal Project is CAD173.4m (ZAR1,666.4m) as summarised below, which will be split into an initial capital expenditure required in the first 25 months of CAD118.90m (ZAR1,142m) and the post commercial production capital expenditure of CAD51.50m (ZAR495m). A South African government grant is anticipated to be applicable to the processing plant capital expenditure and is reflected as a cash inflow in the total project capital estimate below:

#### Total Project Capital Expenditure

STEENKAMPSKRAAL PROJECT COMPONENT	CAD (m)	ZAR (m)
<b>Processing Plant</b>		
Plant	42.28	406.31
Site establishment and Infrastructure	21.03	202.10
Electrics	8.95	86.01
Acid plant	7.39	71.02
Indirect	12.16	116.86
P&G + Team	11.32	108.79
Contingency	10.4	99.94
<b>Plant sub-total</b>	<b>113.53</b>	<b>1,091.02</b>
<b>Mining Operation</b>		
Mining equipment and services	24.27	233.23
Mining underground development	29.07	279.36
<b>Mining sub-total</b>	<b>53.34</b>	<b>512.60</b>
Sustaining capex	6.53	62.75
<b>Total project capex sub-total</b>	<b>173.40</b>	<b>1,666.37</b>
Government grant	3.12	30.00
<b>Net TOTAL Project Capital Expenditure</b>	<b>170.28</b>	<b>1,636.37</b>

Source: Venmyn Deloitte 2014, Sound Mining 2014, ULS Mineral Resource Projects 2014

The operating costs for the project as derived over the 14 year life-of-project, are summarised in the table below:

#### Steenkampskraal Operating Expenditure over Project Life

STEENKAMPSKRAAL PROJECT COMPONENT	COST (CADm)	COST (ZARm)
Mining	95.33	916.09
processing	379.48	3,646.81
General and administrative	44.77	430.25
Decommissioning and environmental	6.36	61.10
Transportation and tolling	234.03	2,249.04
<b>TOTAL Operating Expenditure</b>	<b>759.97</b>	<b>7,303.29</b>

Source : Venmyn Deloitte, ULS Minerals Projects and Sound Mining 2014

The mining operating costs per RoMt (excluding royalty) are CAD103.86/t (ZAR997.57/t) and per kg recovered saleable product are CAD4.85/kg (ZAR46.60/kg) (excluding royalty). The total operational costs applicable to the Steenkampskraal Project combined mining and processing operations are CAD38.67/kg sold REO.

### **Economic Analysis**

The economic analysis for the Steenkampskraal Feasibility Study was undertaken utilising the discounted cash flow methodology (DCF) at various discount rates to yield an internal rate of return (IRR) of 50% and an after-tax net present value (NPV) of CAD274m (ZAR2,628m) at a discount rate of 10%.

The REO prices used in the calculation of revenues were applied individually to the REOs contained in the saleable product rather than as an overall basket price. However, if such an overall basket price was derived based on the REO prices determined by GWMG in its market review, it would be USD76.69/kg, excluding La, Ce, Ho, Er, Tm and Yb.

### **REE Market Trends and pricing**

The REE market can be subdivided into four broad end-use application and demand sectors, namely catalysts and batteries, magnets, ceramics and phosphors. There are five elements which currently are considered critical or high value elements, namely neodymium, praseodymium, dysprosium, terbium and europium with two demand sectors consuming the majority of these REEs, namely magnets and phosphors.

China is both the main source of global REE supply, accounting for >90% of the 2012 global production of 110,000t, as well as demand, especially in the magnet industry. The main factor affecting international trade in REEs over the past decade has been Chinese government trade policy whereby exports of REE concentrates were restricted and governed by an export quota introduced in 2000 in order to safeguard the development of downstream industries in China, to encourage foreign companies to establish their processing operations in China and to increase the value of exports.

The result of this Chinese trade policy has been a split in the REE market supply and pricing, one determined for domestic Chinese REEs and the other for the rest of the world (RoW), so most prices are quoted as both Chinese domestic and RoW.

The global supply of light rare earth elements is relatively balanced by demand, however La and Ce are expected to be in surplus by 2016. The global supply of heavy rare earth elements is expected to be in a shortfall position by 2016.

Due to the Chinese dominance of supply and demand, REE pricing is highly dependent on Chinese policy. The peak in REE prices in 2011 was largely the result of market volatility and speculation in response to the Chinese quota reductions at that time. The REE price peak in 2011, renders application of a three year trailing average price to the Steenkampskraal Project economics unwise and possibly misleading. Therefore GWMG has conducted a detailed market supply and demand analysis, and in conjunction with consensus analyst reports, has determined prices for the REEs which were used in the economic analysis.

The price trends for the REEs are expected to be affected by the following factors:-

- demand for REEs in the next 2 to 3 years will be impacted generally by the global macro-economy and any recovery should positively impact the RoW demand;
- strong expected growth rates in magnet REE oxides (Pr, Nd, Tb, Dy) are expected to maintain the recent price recovery and stabilise;
- La and Ce are likely to be oversupplied in the next several years and a decline in prices to their pre-2010 levels is expected;
- high-purity applications related to ceramics for oxides of Y and Gd are expected to result in price stabilisation or even increases;

- the possibility that the Chinese appeal against the World Trade Organisation's complaint regarding the quota system may prove unsuccessful and bring global pricing in line with domestic Chinese pricing; and
- depletion of stockpiles and inventories, as well as Chinese efforts to maintain prices.

### **Steenkampskraal Project Risk Assessment**

Each component study has undergone a rigorous risk assessment and the current project management controls to mitigate the risk were defined and a residual rating to the risk applied. Potential mitigation procedures were identified and planned. The highest risk relates to inadequate funding to maintain the current project operations and to progress into the construction phase. Technical risks relate to the emission control which can be mitigated and radiation exposure for workers which have been addressed in the mine design and meet NNR requirements. Potential risks relating to delays in construction approvals by the DMR, DWAF and NNR could affect project timing but such risks have been anticipated and managed by GWMG.

Apart from the standard political risk of operating in an African country, the South African mining sector is mature, well regulated and globally represented. No taxation issues have been identified at the current level of study and the project has strong local community support. The operational infrastructure requirements can be more than adequately met and the radiological aspects of the project have been successfully integrated into a mine and ventilation plan which will provide a working environment that complies with all occupational health and safety standards.

The Steenkampskraal Project as a whole has been rated as a medium risk operation at the present level of study.

### **Steenkampskraal Project Execution Plan**

A project timeline has been designed in detail with a total construction period of 25 months and commercial production commencing in Year 1 albeit at a lower production rate than steady state.

### **Concluding Remarks**

Overall, Venmyn Deloitte considers the Steenkampskraal Feasibility Study to have fulfilled its purpose of demonstrating to a high degree of confidence, the potential to cost effectively and profitably mine and process the mineralised monazite vein deposit to a saleable product.

The radiological issues can be mitigated and such measures, while contributing to high capital expenditure, will result in a working environment that complies with all of the applicable Occupational Health and Safety requirements, as well as the local South African and International Atomic Energy Association (IAEA) nuclear regulations.

No fatal flaws in terms of tenure, permitting, infrastructure requirements, the technical aspects of mining and processing, as well as marketing have been identified and Venmyn Deloitte is of the opinion that the positive outcome of the feasibility study provides confidence for GWMG to progress onto the detailed engineering design stage and preparation for construction. Notwithstanding the normal risks associated with mining development projects, Venmyn Deloitte considers that the Steenkampskraal Feasibility Study is of sufficient accuracy and confidence levels that potential investors can make reasonable decisions based on the broad outcomes of the study.

### **Recommendations**

The Steenkampskraal Feasibility Study has shown that the mining and processing designs are such that the development of an economically viable operation is possible without significant additional testwork or exploration being required. The outstanding technical requirement at this stage is the completion of the geotechnical laboratory testwork which is a priority before undertaking the next stage of mine design.

However, during the course of the feasibility study various studies identified areas of optimisation and upside potential for the project outcomes. The possible optimisations would be optional improvements that could be undertaken by GWMG depending on the availability of funding and the strategy adopted by GWMG for the development of the project. The following key optimisations have been compiled from each of the study components:

- additional exploration can be considered to evaluate the potential for depth extensions to the mineralisation to extend the LoM;
- potential exists to upgrade current Inferred Mineral Resources to the Indicated category for inclusion in the mine design and Mineral Reserves and additional exploration can be considered to upgrade the existing Inferred Mineral Resources;
- further optimisation of the mix between the differing mining methods can be investigated;
- the levels of capital and operational expenditure on underground ventilation and radiological mitigation and controls can be further optimised;
- REO recovery improvement with additional hydrochloric acid leaching is possible. Current design capacity in the hydrochloric leach circuit could permit the additional leaching but additional recovery testwork must be undertaken before the extent of the potential upside can be determined or incorporated into the feasibility study; and
- the costs and recoveries for circuits to extract additional high value co-products should be considered.

Venmyn Deloitte considers the investigation of improved REO recovery with additional hydrochloric acid leaching to be the most significant of the potential optimisations. The estimated costs for the completion of laboratory testwork and optional additional investigations are summarised as follows:

#### Estimated Costs for Recommendations and Potential Optimisations

RECOMMENDATION	CAD	ZAR
Completion of the geotechnical laboratory testwork	1,249	12,000
Five 50mm geotechnical drillholes to collect the above samples	40,000	384,400
<b>Sub-total - geotechnical</b>	<b>41,249</b>	<b>396,400</b>
<b>Potential Optimisation</b>		
Additional depth exploration and upgrading of the Inferred Mineral Resources (20 diamond drillholes + site establishment )	289,950	2,786,400
Optimisation of ventilation and radiological design	72,841	700,000
Optimisation of mining methodologies	52,029	500,000
Additional HCL optimisation testwork	52,029	500,000
Potential co-product recovery testwork and design	104,058	1,000,000

#### Other Properties

In addition to the material property described above, the Company holds interests in the following properties: the Steenkampskraal prospecting area (South Africa), Hoidas Lake (Saskatchewan, Canada), Red Wine (Labrador, Canada), and Douglas River (Saskatchewan, Canada).

#### SMM Prospecting Area

The Company initiated exploration activities on an approximately 55,000 hectare prospecting right surrounding the SKK Project (the “**SMM Prospecting Right**”). The Steenkampskraal deposit is hosted by the ca. 1100 Ma Namaqualand Metamorphic Complex (“**NMC**”). This monazite-apatite-chalcopryrite-magnetite vein-type mineralisation is part of a cluster of small deposits that lie in a 30 km<sup>2</sup> area about 75 km north of Vanrhynsdorp. During 2013, the exploration activities included: geologic mapping; 10 channel sample lines crossing monazite veins in historic trenches (considered to be non-invasive sampling as this ground was previously disturbed during historic investigations of mineralization); ground radiometric surveys and, a combined airborne high-resolution magnetic and radiometric geophysical survey of the area. The geophysical interpretation of the radiometric survey results have been completed and identified several anomalies that may be related to REE mineralization.



A desktop study was conducted to review all available historic information including data, reports, and maps pertaining to the SMM Prospecting Right. The chief objective was to identify areas of interest including, in particular, a set of known monazite-magnetite structures. Satellite imagery was then utilised to locate areas of disturbance that might be associated with exploration and evaluation activities related to the monazite showings.. The study included a review of older data and reports. Initial reconnaissance work was concerned with confirmation of radiometric anomalies and presence of monazite ore through scintillometer surveying; general reconnaissance including locating old excavations and borehole collars; local geological mapping and sampling on previously disturbed areas; airborne geophysical surveys and assessment of materials located in channels excavated during historical investigations.

Following the completion of the reconnaissance and mapping works, the geological team focussed on evaluation of REE grade of known monazite rock showings on the Roodewal and Uilklip farms located on the eastern side of the Prospecting Right. A total of 126 channel samples (and 49 quality control samples) were collected from eleven historically disturbed areas hosting historic trenches. The samples were sent to SGS South Africa (Pty) Ltd. for high-grade REE assay using sodium peroxide fusion with ICP-MS finish. Although REEs were the main focus of the analytical work, uranium and thorium were also assayed in the same procedure and gold was measured using a 30 g standard industry fire-assay procedure. Assay results for the 126 samples are currently under evaluation by the Company.

In March 2013, Xcalibur Airborne Geophysics conducted a high resolution low-level airborne magnetic and radiometric survey over the SMM Prospecting Right in the northern part of the Western Cape Province. The project block consisted of approximately 6261 line-km. The survey commenced on 14<sup>th</sup> of March 2013 and was completed on the 27<sup>th</sup> of March 2013. The survey collected magnetic, radiometric and terrain elevations data for a digital terrain model. Targets were primarily selected using relative thorium anomalies as a potential pathfinder element for REE mineralization, but also included specific geological and geographical criteria. Interpretation of the radiometric data based on geological and geophysical parameters identified a total of 46 thorium targets of which 41 have been reconnoitred to date involving pattern scintillometer surveys, observations and localized sampling for assay. Nineteen non-invasive rock samples of geological interest were collected from 18 Th anomalies or sub-anomalies. Anomalies with elevated TREO contents were re-visited in the fourth quarter of 2014 to complete detailed geological and structural maps, and determine the provenance and extent of the REE-enriched material. Results from this work are being considered for further work by the Company and have not yet been disclosed.

#### Hoidas Lake Rare Earth Property

Readers are cautioned to refer to the full Barr Report which was filed on SEDAR under Star Mineral Group Ltd.'s profile on March 7, 2014 and is available at [www.sedar.com](http://www.sedar.com) for viewing.

The Hoidas Lake Rare Earth Project is located within Saskatchewan's Northern Mining District, approximately 55 kilometers northeast of Uranium City, Saskatchewan. It consists of fourteen claims comprising 12,522 hectares and is accessed seasonally by ski- or float-equipped aircraft from Stony Rapids, 130 kilometers to the southeast, or Uranium City.

The Hoidas Lake project is currently 100% owned by GWMG, subject to an underlying 1.8% NSR royalty and the terms of the Hoidas Lake Joint Venture Agreement.

Pursuant to the Hoidas Lake Joint Venture Agreement, Star has been granted the option to acquire from GWMG up to a 51% participating interest in the Hoidas Lake project. The exercise of the first option to acquire a 25% interest is contingent on Star completing a NI 43-101 compliant preliminary economic assessment on the Hoidas Lake project within two years. Star has been granted the option to acquire an additional 26% participating interest contingent on completing a NI 43-101 compliant feasibility study on the Hoidas Lake project during the four year period after exercising the first option.

On March 3, 2014 Star, as operator of the Hoidas Lake Joint Venture announced that Barr Engineering had been appointed to complete a preliminary economic assessment of the Hoidas Lake project. GWMG does not expect to continue exploration of this property in the near term.

### Red Wine

Pursuant to the Red Wine Option Agreement with Search Minerals Inc., the Company currently retains an approximately 49% working interest in the Red Wine property, with Search Minerals Inc. retaining the remaining working interest. Comprising 301 claims totalling 7,525 hectares, the Red Wine property is located approximately 100 kilometers northeast of Churchill Falls, Labrador. To date, nine rare earth-bearing mineralized showings have been outlined on the property. The nine showings are termed Cabernet, Pinot Rose, Malbec, Zinfandel, Shiraz, Merlot, Barbara, Amarone and Grenache. The main rare earth-bearing mineralization is eudialyte.

In September and October 2010, ten drill holes (1,906 total meters) tested the Cabernet and Pinot Rose showings. The drilling confirmed that the previously reported surface eudialyte-bearing rare-earth-element-zirconium-Yttrium mineralization continues to depth in the Cabernet showing. In 2011, a further 17 drill holes totalling 3,662 meters tested the Merlot showing along strike and at depth. Pursuant to the Red Wine Option Agreement, a formal joint venture agreement will be entered into between Search Minerals Inc. and the Company. Search Minerals Inc., as operator of the Red Wine Option Agreement carried out a drilling and trenching program during 2011. The drilling on the Cabernet Zone extended the mineralization along strike and at depth. The best results from the trenching program were from the Amarone, Cabernet, and Malbec showings.

GWMG does not expect to continue exploration of this property in the near term. As part of a strategy to reduce costs and rationalize operations Search Minerals Inc. and the Company anticipate that certain non-material claims will be allowed to lapse in 2015 leaving approximately 136 out of the original 297 claims.

Pursuant to the Red Wine Option Agreement, GWMG and Search Minerals Inc. are to negotiate and enter into a formal joint venture agreement. As of the date of this AIF the agreement has not been completed.

### Douglas River

The Douglas River property consists of two claims approximately 21 kilometers south of the former Cluff Lake uranium mine and approximately 420 kilometers northwest of La Ronge, Saskatchewan. The showings consist of stratabound xenotime mineralization within the Athabasca Group, the host of unconformity type uranium deposits. The presence of other REE dominant, unconformity REE occurrences in the Athabasca Basin and the presence of significant REE content in many of the unconformity type uranium deposits in the Athabasca Basin indicate that there may be a new deposit type: Athabasca Type REE deposits, which could be a variant on the unconformity-type deposits.

Exploration programs since 2009 have included geological mapping, trenching and extensive MMI and biogeochemical sampling. These programs identified a number of REE enriched targets. In 2010 a drilling program drill tested the original REE mineralization, the showings that were discovered by the summer 2010 mapping program and the 2009/2010 geochemical programs. These targets were tested with 14 drill holes totalling 1002.6 m and failed to intersect any significant REE mineralization. In 2011 the company carried out further soil and biogeochemical surveys on the remainder of the property and identified 9 other areas that were anomalous for REE. These targets have not yet been tested.

## **RISK FACTORS**

Prior to making an investment decision investors should consider the investment risks set out below and those described elsewhere in this AIF. The Company considers the risks set out below to be the most significant to potential investors in the Company, but they are not all of the risks associated with an investment in securities of the Company. If any of these risks (or any other possible additional risks and uncertainties of which the Company is currently unaware or which the Company considers not to be material) materialize into actual events or circumstances, the business, the assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects of the Company are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

## **Liquidity Risk**

The Company's cash flows are currently insufficient to meet the required payment of principal, premium, if any, and interest on the Company's Bonds and fund its planned exploration and capital programs. The Company may not generate cash flows sufficient to pay the principal, premium, if any, and interest on its indebtedness. The Company is exploring its strategic alternatives in the event the Company's cash flows and capital resources are insufficient to fund its debt service obligations. Those strategic alternatives may include the initiation of a sale or investment solicitation process with respect to the Company's assets and business and/or the commencement of proceedings under applicable restructuring legislation.

## **Recapitalization and Insolvency Risk**

The Company is exploring strategic alternatives in the event that it is unable to reach a binding agreement with the Steering Committee with respect to restructuring the bonds or obtain additional financing on a timely basis and in sufficient amounts to fund its operations or to make other satisfactory arrangements. Those strategic alternatives may include the initiation of a sale or investment solicitation process with respect to the Company's assets and business and/or the commencement of proceedings under applicable restructuring legislation.

## **Cease Trade Order**

As at the date of this AIF, the Company determined that as a result of the circumstances of its attempts to restructure the Bonds, it was not able to file its audited annual financial statements for the year ended December 31, 2014 and its management's discussion and analysis thereon by March 31, 2015.

The Company has filed an application with applicable regulatory authorities for a management cease trade order (the "MCTO"), in accordance with National Policy 12-203 - *Cease Trade Orders for Continuous Disclosure Defaults* ("NP 12-203"). There can be no certainty that the MCTO will be granted or, if granted, that the Company will be able to comply with the terms of such order in the timeframe required or at all. In the event an MCTO is not granted the applicable regulatory authorities may instead determine to issue a full cease trade order against the Company, which would prevent shareholders from trading securities of the Company. In the event an MCTO is granted and the Company is unable to comply with the terms thereof, the applicable regulatory authorities may issue a full cease trade order against the Company, which would prevent shareholders from trading securities of the Company.

## **Additional Funding**

The Company currently does not have sufficient financial resources to undertake all of its planned exploration and possible development programs or planned expansions to its processing and alloy production capabilities. As noted in its most recently filed financial statements, the Company has incurred cash losses in its exploration, development and manufacturing operations, and its ability to continue as a going concern is dependent upon the establishment of economically recoverable mineral reserves, the ability to obtain necessary financing to complete its development and fund its operations until commercially successful. The exploration and subsequent development of the Company's properties and the implementation of its strategic plans with respect to LCM therefore depend on the Company's ability to obtain required financing. The Company has limited financial resources and there is no assurance that additional funding will be available to enable the Company to fulfill its objectives or obligations. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration, the possible loss of its interests in its properties and the impairment of the Company's ability to continue to conduct its business as currently being conducted or to implement any or all of its strategic plans.

The mineral properties that the Company currently holds or may acquire in the future are expected to require significant capital expenditures if the Company pursues their possible development. The sources of external financing that the Company may use for these purposes include project or bank financing, or public or private offerings of equity or debt. In addition, the Company may enter into strategic alliances or joint ventures, may decide to sell certain property interests, or may utilize a combination of these alternatives. There can be no assurance that the financing alternative chosen by the Company will be available on acceptable terms, or at all. The failure to obtain sufficient financing could have a material adverse effect on the Company's growth strategy and result in the delay or indefinite postponement of exploration, development or production. In addition, any future equity offerings

will dilute the equity interest in the Company which would be received on conversion of the Bonds and any future debt financing will require the Company to dedicate a portion of its cash flow to payments on indebtedness, which would reduce the funds available for its operations, could make it more difficult for the Company to make payments on the Bonds, may limit the Company's availability to obtain additional financing for working capital and other purposes and would limit the Company's flexibility in planning for or reacting to changes in its business.

### **Strategic Review Process**

In light of the Company's working capital deficiency, the Company has initiated a process to identify, examine and consider strategic alternatives with the view to enhancing shareholder value. Those strategic alternatives may include the initiation of a sale or investment solicitation process with respect to the Company's assets and business and/or the commencement of proceedings under applicable restructuring legislation. The Company has retained a financial advisor to assist the Company with this process.

It is not the Company's intention to disclose developments with respect to the strategic review process until the Board of Directors has approved a specific transaction or otherwise determines that disclosure is necessary or appropriate. The Company cautions that there are no assurances or guarantees that the process will result in a transaction or, if a transaction is undertaken, the terms or timing of such a transaction. The Company has not yet set a definite schedule to complete its evaluation or process.

### **Restrictive Covenants**

The Bonds issued under the April 2012 Bond Offering and as described in the Listing Particulars contain operating and financial covenants that could restrict the Company's ability to, among other things:

- incur additional indebtedness needed to fund the Company's operations or complete the Company's proposed business plan;
- pay dividends or make certain other distributions;
- repurchase or redeem capital stock or subordinated indebtedness;
- make investments;
- create liens;
- enter into sale and leaseback transactions;
- sell assets;
- enter into transactions with affiliates;
- restrict the ability of the Company's subsidiaries to pay dividends or make other payments to the Company;
- merge or consolidate with or into any other person or transfer all or substantially all of the Company's or its restricted subsidiaries' assets; or
- transfer or issue shares of capital stock of the Company's restricted subsidiaries.

The Company's ability to comply with such covenants may be affected by events beyond the Company's control, including economic, financial and industry conditions. The Company's failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of the applicable indebtedness or require the Company to repay the Bonds prior to maturity, and there can be no assurance that the Company will have sufficient funds available in those circumstances. Even if the Company is able to comply with all of the applicable covenants, the restrictions on the Company's ability to manage its business in management's sole discretion could adversely affect the Company's business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that management believes would be beneficial to the shareholders. The Company's compliance with covenants restricting dividends could have a material adverse effect on the price of the Company's Common Shares.

### **Mineral Exploration and Development**

The exploration for and development of mineral deposits involves significant risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Few properties that are explored are ultimately developed into producing mines. There can be no guarantee that the Company will discover quantities or

qualities of mineralization capable of becoming a Mineral Resource estimate, including without limitation, an estimate pursuant to NI 43-101. Currently only the Steenkampskraal Project and Hoidas Lake property have Mineral Resource estimates that meet the standards of NI 43-101. In addition, the Company has not completed a pre-feasibility study or feasibility study on Hoidas Lake. Further studies, analyses and optimizations to demonstrate the continuing economic viability of the Steenkampskraal Project may be undertaken, all remaining necessary permits must be obtained, establishment of the intended mine shaft and related facilities and readying the mine for extraction activity must be completed, and securing third party or proprietary separation capabilities must be completed. There can be no guarantee that the estimates of quantities and qualities of Mineral Resources or Mineral Reserves disclosed in connection with the Steenkampskraal Project (or any project undertaken by the Company) will be available for extraction. There is also no assurance that the Steenkampskraal Project will be brought into commercial production within anticipated timelines or at all. Past or current refurbishment and development activities, including any design parameters contemplating planned tonnage, capacity or output levels should not be construed as any assurance or representation that such properties will contain Mineral Resources or Mineral Reserves or as to any quantities or the qualities of minerals capable of being economically produced. Without limiting the generality of the foregoing, forward looking statements and projections are in their entirety subject to change, including change that may be materially adverse to the Company, based on the results of its exploration and confirmation or optimization programs and any applicable effect on the results of any applicable technical report. The feasibility of developing a new mineral deposit, once discovered, or redevelopment of a previously discovered and producing mineral deposit, is dependent on a number of factors out of the Company's control, including the particular attributes of the deposit such as geology, size, grade, proximity to infrastructure, current commodity prices and government regulations. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors which are beyond its control. Establishment of a mineral deposit once discovered, or re-development of a previously discovered and previously producing mineral deposit, does not assure a recovery of costs or profit on the investment. In addition, mining hazards or environmental concerns could greatly increase the cost of operations or otherwise prevent such operations, and various field operating conditions may adversely affect the production from a mine. These conditions include delays or failure to obtain required governmental approvals or consents, insufficient transportation capacity, exposure limitations associated with the radioactive nature of the materials at the Steenkampskraal mine or other geological, geotechnical and mechanical conditions. Production delays from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

### **Completion and Operation of the REC Plant**

The Company is undertaking to design, build and operate the REC Plant at the Steenkampskraal mine site. This facility will be the initial processing phase of the ore that is mined from the Steenkampskraal mine. The successful design, construction, commissioning and operation of the facility is a key part of the Company's business plan. There is no guarantee that the Company will be able to build and operate the facility as planned, on budget or at all. In addition, there is no guarantee that, once constructed, the facility will be able to produce the quantities or the quality of mixed rare earth chlorides/carbonates that are required to meet the technical specifications of the proposed separation activities. The timing of the commissioning of the REC Plant is a key milestone in the Company's business model, and failure to meet the targeted deadlines may have a material adverse effect on the Company's business and prospects.

### **Reliance on Third Parties to Develop a Separation Facility or Separate on a Toll Basis**

The Company currently has a joint venture agreement (previously defined as the "GQD Agreement") in place with GQD of China to build a rare earth separation plant in South Africa in proximity to the Steenkampskraal mine, which will form the basis of the project under a new joint venture company. The successful construction and operation of a rare earth separation facility is a key step in the Company's business plan and the successful completion of a feasibility study on the separation plant is a requirement to complete that key step. There is no guarantee that the Company will be able to build and operate a separation facility as planned or at all. There is also no guarantee that once constructed the separation facility will be able to process and separate the quantities of rare earth chlorides/carbonates the Company is anticipating, or that the output of the facility will be able to meet the technical specifications of LCM or any of the Company's intended customers. The timing of the commissioning of a separation facility is a key factor in the Company's business model, and failure to achieve the targeted deadlines

may have a material adverse effect on the Company's business and prospects. There is also no guarantee that the Company can enter into a toll separation agreement with any third party to supplement or replace the function of the GQD Agreement and the proprietary facility contemplated therein on an interim or permanent basis.

### **Joint Venture Partners**

As part of the Company's development strategy, the Company is considering a number of alternatives to access development capital for its mineral properties, including joint ventures with strategic partners. However, there can be no assurance that the Company will be able to identify joint venture candidates or that the Company will succeed at effectively managing the operation of any joint venture. The Company currently has a shareholder agreement in place with GQD to build a rare earth separation plant in South Africa in proximity to the Steenkampskraal mine, which will be operated through GWGQD. The GQD Agreement requires that the Company prepare detailed agreements relating to the design, construction and operation of the separation facility. GQD's participation is also subject to regulation by the Chinese government and risks relating to the use of intellectual property rights and the ability of the Company and GQD to complete the separation facility on time, on budget and to desired performance specifications. The Company may in the future enter into additional joint ventures, as permitted by the Trust Deed. The Company is subject to the risks normally associated with the conduct of joint ventures. These risks include disagreement with a joint venture partner on how to develop, operate and finance a project and possible litigation between the Company and a joint venture partner regarding joint venture matters. These matters may have a material adverse effect on the Company's ability to pursue the construction of a separation plant in South Africa, among other possible future endeavors, which could affect its future cash flows, earnings, results of operations and financial condition.

### **Execution of Projects**

The future of the Company currently is dependent upon its ability to successfully develop its properties, the productivity of such properties and its ability to otherwise implement its business plan for developing the Steenkampskraal Project. While the Company believes that its business plan, if implemented as conceived, will make it successful in the long term, the Company has limited mining and exploration history against which it can test its plans and assumptions, and therefore cannot evaluate the likelihood of success in executing its business plans. At this stage of its business operations, even with the Company's good faith efforts, potential investors have a high probability of losing their investment. While management believes their estimates of projected occurrences and events are within the timetable of their business plan, there can be no guarantees or assurances that the results anticipated will occur.

Uncertainties relating to operations are even greater in the case of development projects. Any of the following events, among others, could affect the profitability or economic feasibility of a project:

- unanticipated changes in grade and tonnage of REE to be mined and processed;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- costs of constructing and operating a mine in a specific environment;
- availability and costs of processing and separation facilities;
- availability of economic sources of power;
- adequacy of water supply;
- adequate access to the site, including competing land uses (such as agriculture and illegal mining);
- unanticipated transportation costs;
- government regulations (including regulations to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, as well as the costs of workplace safety and protection of the environment and agricultural lands);
- fluctuations in commodity prices and exchange rates; and
- accidents, labour actions and *force majeure* events.

It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays can often occur at the start of production. In the past, the Company has adjusted estimates based on changes to assumptions and actual results.

### **Supply of Materials for Operations and Alloy Production**

The Company is currently dependent on third party suppliers for the raw materials necessary to conduct operations at LCM. To a large extent the supply and pricing of these raw materials is affected by production and export quotas imposed by foreign entities, including, without limitation, the People's Republic of China. Price increases, the inability to pass price increases to customers and the lack of access to raw materials could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the failure to produce expected quantities of raw materials from Steenkampskraal could impact the Company's ability to fulfill its business plan.

Without the ability to source its own materials, LCM's fixed cost base could result in LCM operating at a loss should raw material prices be increased by third party suppliers.

### **Maintenance of Permits**

The Company must obtain, for all its operations, a number of permits that impose strict conditions, requirements and obligations relating to various environmental and health and safety matters in connection with its current and future operations. To obtain, maintain and renew certain permits, the Company may be required to conduct environmental studies and collect and present data to governmental authorities pertaining to the potential impact of its current and future operations upon the environment, including the potential impact on endangered species, and to take steps to avoid or mitigate those impacts. In addition, the existing approved environmental management programme (the "EMP") has been amended following the outputs of the Feasibility Study.

The permitting rules, and interpretation thereof, are complex and have tended to become more stringent over time. In certain jurisdictions, the public (including environmental interest groups and indigenous groups) has rights to comment upon and submit objections to permit applications and environmental analysis prepared in connection therewith, and otherwise participate in the permitting process, including challenging the issuance of permits, the validity of environmental analyses and determinations and performance of permitted activities. Accordingly, permits required for the Company's operations may not be issued, maintained or renewed in a timely fashion or at all, may be issued or renewed upon conditions that restrict or prevent the Company from operating economically, or may be subsequently revoked. Any such failure to obtain, maintain or renew permits, or other permitting delays or conditions, including in connection with any environmental impact analyses, could have a material adverse effect on the Company's business, results of operations and financial condition.

LCM has a bespoke environmental permit from the Environment Agency (UK) for the Hooton Park Unit. This registration is maintained in good standing.

Notably, before any anticipated mining operations can proceed at the Steenkampskraal mine, the Company will be required to update its social and labour plan, mine works programme and the EMP, as well as secure additional permits, including a water use licence pursuant to the *National Water Act*, 1998 and a land use permit under the Land Use Planning Ordinance.

The Steenkampskraal mine site requires various permits and approvals for the proposed operations at the Steenkampskraal mine site including: (i) the New Order Mining Right, a Social and Labour Plan, an environmental impact assessment ("EIA") and an EMP (ii) the South African National Nuclear Regulator (the "NNR") Registration, (iii) a re-zoning permit for mining, and (iv) a Water Use License and related permits relating to the commencement of mining operations. The NNR registration (number COR-23) will also require additional separate applications and approvals, including (A) design, siting and construction of the applicable facilities; (B) manufacturing operations; (C) de-commissioning; and (D) site security.

The Company's EMP is subject to regular updates as a result of changes to activities and its mine works programme. To determine if there are any new matters, the Company must review its EMP. If the revised EMP is not received or analyzed in a timely fashion, the project may be delayed and may incur additional capital costs which could have a material adverse effect on the Company's business, results of operations and financial condition. The EMP has been completed and an analysis is underway to determine if there are any new matters that will require the EMP to be amended and approved by the DMR.

The Company's proposed separation facility will require various permits and approvals, including under the National Environmental Management Act, 1998 (South Africa), some of which are not yet capable of being applied for. There is no assurance that the Company will apply for or receive any such permits.

### **Fluctuating Price of Minerals**

Because the Company anticipates that substantially all of its potential future revenue will be generated from the sale of rare earth minerals and products, changes in demand for, and the market price of, rare earth minerals and products could significantly affect its profitability. The value and price of the Common Shares and the Company's financial results may be significantly adversely affected by declines in the prices of rare earth minerals and products. Rare earth oxide prices increased significantly in the second half of 2010 and the first half of 2011 due at least in part to consecutive reductions in Chinese export quotas and speculative trading. Subsequent to July 2011, prices have fallen significantly from their peak but remain at or above their pre-2009 averages. There can be no assurance that even current market prices will be sustained in future periods and such prices can be significantly affected by changes in the export policies of the Chinese government and macro-economic factors out of the Company's control. Protracted periods of low prices or low demand for rare earth minerals and products could significantly reduce revenues and the availability of required development funds in the future.

The prices of these commodities fluctuate widely and are affected by numerous factors beyond the Company's control, including, among others:

- international economic and political conditions;
- expectations of inflation or deflation;
- international currency exchange rates;
- interest rates;
- global or regional consumption patterns;
- speculative activities;
- levels of supply and demand;
- development of alternative products not dependant on rare earths;
- increased production due to new mine developments;
- decreased production due to mine closures;
- improved mining and production methods;
- availability and costs of metal substitutes;
- metal stock levels maintained by producers and others; and
- inventory carrying costs.

In addition, in 2014 China provided approximately 86% of the world's production of rare earth oxides and minerals. China has, in recent years, reduced its export quotas from 65,609 metric tonnes in 2005 to 30,184 metric tonnes in 2011 and started imposing heavier taxes on the production or export of rare metals and minerals. Recent rulings by the WTO have resulted in China's removal of export quotas but the introduction of an export licensing system in January 2015. Export tariffs, which are largely responsible for the disparity between Chinese domestic and export pricing, are expected to be removed in May 2015; however, there is an expectation that China will impose a value-added tax to rare earths. China also continues to consolidate its domestic rare earth industry into state-owned enterprises, and continues effort to eliminate illegal mining and processing of rare earths. There can be no assurance that China will continue its current policy.

Demand for rare earth minerals and products may also be impacted by demand for downstream products incorporating rare earths, including hybrid and electric vehicles, wind power equipment and other clean technology



products, as well as demand in the general automotive and electronic industries. Lack of growth in these markets may adversely affect the demand for the Company's products. In contrast, extended periods of high commodity prices may create economic dislocations that may be destabilizing to rare earth minerals supply and demand and ultimately to the broader markets. Periods of high rare earth mineral market prices generally are beneficial to the Company. However, strong rare earth mineral prices, as well as real or perceived disruptions in the supply of rare earth minerals, also create economic pressure to identify or create alternate technologies and substitute products that ultimately could depress future long-term demand for rare earth minerals and products, and at the same time may incentivize development of otherwise marginal mining properties. For example, automobile manufacturers have recently announced plans to develop motors for electric and hybrid cars that do not require rare earth metals, due to concerns about the available supply of rare earths. If the automobile industry reduces its reliance on rare earth products, the resulting change in demand could have a material adverse effect on the Company's business.

As such, the commercial feasibility of the Company's properties and its ability to arrange funding to conduct its planned exploration projects is dependent on, among other things, the price of REEs. Depending on the price to be received for any minerals produced, the Company may determine that it is impractical to commence or continue commercial exploration or development. Since rare earth prices have fluctuated widely in the past and are expected to continue to do so in the future this may inhibit its ability to economically explore or develop its properties, impair asset values, reduce its ability to economically extract any applicable Mineral Reserves, reduce its ability to upgrade the classification of any Mineral Resources to any category of Mineral Reserves or its supply of raw materials as described above.

### **Market for Minerals**

The Company intends to produce intermediate products such as a mixed rare earth chloride/carbonate for which there is no current stable or organized market. If the Company is unable to separate any mixed rare earth chloride/carbonate it may produce, the Company may be required to sell at spot prices to a limited number of buyers, or seek out a third party to separate the materials on a toll basis. Prices for mixed rare earth chlorides/carbonates may be lower due to the limited number of potential purchasers. In addition, some potential purchasers are located in China and any separated products may become subject to export quotas, thereby affecting the Company's ability to supply raw materials to LCM.

### **Future Expansions and Acquisitions**

The Company may elect to grow both organically and by acquisition. There can be no guarantee that the Company will be able to negotiate acquisitions of further suitable companies and/or businesses on acceptable terms nor any guarantee that it will be able to raise sufficient future finances at such time. In so far as the Company negotiates further acquisitions, while it will seek to protect the shareholders by conducting full due diligence and negotiating suitable warranties and indemnities from the vendors, there can be no assurance that such new acquisitions will add value to the Company, be free from unknown or unanticipated liabilities or that they could be successfully integrated into the Company.

Further, the completion of any proposed transaction is subject to numerous factors including completion of all necessary legal, financial and technical due diligence and the due diligence results being satisfactory to GWMG, GWMG's review and satisfaction of any applicable budget and pro forma financial projections relating to such transactions, the negotiation and execution of applicable definitive agreements and satisfaction of any terms and conditions to be set forth therein and receipt of all necessary consents and approvals, including any applicable Canadian or foreign regulatory approvals. There can be no assurance that any proposed transaction will be completed on the proposed terms as disclosed or at all.

### **Infrastructure**

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage and government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

## **Land Reclamation and Mine Closure**

Land reclamation and mine closure requirements are generally imposed on mineral exploration companies, such as the Company, which require it, among other things, to minimize the effects of land disturbance. Such requirements may include controlling the discharge of potentially dangerous effluents from a site and restoring a site's landscape to its pre-exploration form. The actual costs of reclamation and mine closure are uncertain and planned expenditures may differ from the actual expenditures required. Therefore, the amount that the Company is ultimately required to spend is expected to be materially higher than current estimates due to the early stage development of its the Steenkampskraal Project. Any additional amounts required to be spent on reclamation and mine closure may have a material adverse effect on the Company's financial condition and results of operations and may cause the Company to alter its operations. In addition, the Company is required to maintain financial assurances, such as surety bonds, to secure reclamation obligations under certain laws and regulations. The failure to acquire, maintain or renew such financial assurances could subject it to fines and penalties or suspension of its operations. Reclamation bonds or other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation over the life of a mine's operation. Although the Company includes liabilities for estimated reclamation and mine closure costs in its financial statements, it will be necessary to periodically assess the required liability with respect to the projected amount to fund required reclamation and mine closure activities.

## **Management**

The Company depends on the services of its senior management team and other key personnel. As at December 31, 2014, the Company and its subsidiaries had the number of employees described above in "*Description of the Business - Employees*". The loss of the services of any member of senior management or a key employee could have an adverse effect on the Company's business. The Company may not be able to locate, attract or employ on acceptable terms qualified replacements for senior management or other key employees if their services are no longer available. Further, efficient production and processing of rare earth products using modern techniques and equipment requires skilled technicians and engineers. Competition for skilled personnel at all levels may be very intense, particularly in the mining processing and engineering disciplines. Employees that the Company currently has, and will, need to retain and attract have scarce skills and abilities that are unique to its industry and lines of business.

The Company does not presently carry key man insurance policies on any of its management team and, therefore, there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on the Company. Investors must rely on the ability, expertise, judgment, discretion, integrity and good faith of management of the Company.

In the event that the Company is unable to hire and train the necessary number of skilled personnel, there could be an adverse impact on its ability to reach anticipated production levels, pursue the design, construction and operation of separation facilities or expand alloy producing capacity in a timely manner or at all, which could have a material adverse effect on the Company's results of operations.

## **Estimates of Mineral Resources May Not be Realized**

The Company has undertaken and will continue to undertake significant expenditures and development projects in anticipation of the results of exploration programs, and the achievement of such results is risky and may not occur. Any failure to achieve anticipated exploration results may result in the value of the Company's properties and assets declining or require them to be written off. The Company does not currently have any NI 43-101 compliant Mineral Resources or Mineral Reserves other than the Mineral Resources and Mineral Reserves published in respect of the Steenkampskraal Project and the Mineral Resources published with respect to the Hoidas Lake project. There has been insufficient exploration at all of the Company's other properties to define a Mineral Resource in compliance with NI 43-101 and it is uncertain if further exploration will result in any such target being delineated as a Mineral Resource or a Mineral Reserve. The Mineral Resource and Mineral Reserve estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited.

Even if resources are discovered, there is no assurance that reserves (as defined in NI 43-101) will be proven or ultimately mined.

In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Any estimates of economic recovery that the Company may make in the future will necessarily depend upon a number of variable factors and assumptions, all of which may vary considerably from actual results, such as:

- geological and mining conditions and/or effects from prior mining that may not be fully identified by available data or that may differ from experience;
- assumptions concerning future prices of rare earth products, operating costs, mining technology improvements, development costs and reclamation costs; and
- assumptions concerning future effects of regulation, including the issuance of required permits and taxes by governmental agencies.

If the work conducted by the technical consultants the Company has engaged is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays, stoppages and prohibitive increased costs in efforts aimed at developing its properties.

There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The discussions of anticipated results, preparations for anticipated results or estimated resources described herein should not be interpreted as assurances of achieving economic production, mine life or of the profitability of future operations.

#### **Future Development of the Steenkampskraal Mine**

There is currently no commercial production at the Steenkampskraal mine and the Company has never recorded any revenues from commercial production at the Steenkampskraal mine. Investors should not rely on the fact that there were historical mining operations at the Steenkampskraal mine as an indication that the Company will ever have future successful commercial operations.

#### **Economics of Developing Mineral Properties**

In order for the Company to develop any of its projects, including new mining operations at the Steenkampskraal Project, the Company will be required to incur substantial operating expenses and capital expenditures, including costs related to the exploration for and development of NI 43-101 compliant reserves, the construction of a beneficiation and processing facility, the construction of a separation facility or the payment of tolling fees for separation, the handling and storage of radioactive materials and compliance with all existing and future legislative and environmental regulations. These operating expenses and capital expenditures will increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production at the Steenkampskraal Project are added. The amount and timing of expenditures will depend on the progress of drilling, exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the formation of any joint ventures with strategic partners, the Company's acquisition of additional mineral properties, the market price of rare earth minerals and other factors, many of which are beyond the Company's control.

The marketability of any minerals discovered may be affected by numerous factors beyond the Company's control and which cannot be predicted, such as commodity prices and market fluctuations, proximity to markets, government regulations including regulations relating to trade and the environment, and competition. Should pricing and operating cost factors move adversely, the Company may determine that it is not commercially feasible to commence or continue commercial production.

## **Operational Risks and Hazards Inherent in the Mining Industry and Alloy Production**

Mineral exploration and mining, and the manufacture of mineral products, involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The work that the Company is undertaking and propose to undertake will be subject to all the hazards and risks normally incidental to exploration, development and production of Mineral Resources and Mineral Reserves and downstream products, any of which could result in work stoppages and damage to persons, property or the environment and possible legal liability for any and all damage. Hazards such as fires, power outages, labour disruptions, flooding, explosions, industrial accidents, ground control problems, mechanical equipment failure, structural collapses and cave-ins, are risks involved in the operation of mines and the conduct of exploration programs. These and other hazards may cause injuries or death to employees, contractors or other persons at the Company's mineral properties, severe damage to and destruction of its property, plant and equipment and mineral properties, and contamination of, or damage to, the environment, and could result in the suspension of the Company's existing or future exploration, development and production activities. Safety measures that the Company implements may not be successful in preventing or mitigating future accidents.

The proposed mining processing operation will require a high level of manual labour with limited mechanized equipment used in the mining process. This creates a higher risk with respect to the health and safety of the employees who will be working in the mine. In addition, the employees will have potential for exposure to the elements, potential for physical injury and potential exposure to high levels of radioactivity.

### **Insurance Risks**

Not all risks the Company's operations are subject to may be insurable. In addition, there can be no assurance that general liability insurance coverage the Company may carry will be available for all losses or causes of loss, including pollution liability, property damage, business interruption or political risks, or that any such insurance will be sufficient, or that the Company will be able to maintain insurance to cover these risks or any risks at economically feasible premiums or that the Company will elect to obtain insurance for all possible risks for which coverage is available. Additionally, the Company cannot be certain that all claims it may make under its insurance policies will be deemed to be within the scope of, or fully covered by, its policies. The Company might also become subject to liability for environmental damage or other hazards that may be uninsurable or for which it may elect not to insure because of premium costs or commercial impracticality. These policies contain limits of coverage and exclusions that are typical of such policies generally. The payment of such premiums, or the assumption of such liabilities, may have a material adverse effect on the Company's financial position and results of operations.

### **Price and Volatility of Public Stock**

The trading price of the Common Shares has been and may continue to be subject to significant fluctuations, which may be based on factors unrelated to its financial performance or prospects. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Common Shares may also be significantly affected by changes in commodity prices, currency exchange fluctuation or in the Company's financial condition or results of operations. Other factors unrelated to the performance of the Company that may have an effect on the price of the securities of the Company include the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of securities of the Company; and the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities. If an active market for the securities of the Company does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Company may decline.

### **Radioactive Materials**

The nature of the Company's activities will require the handling of radioactive materials and the management of staff to minimize the risks of radioactive exposure. In particular, the Steenkampskraal Project has areas that are contaminated with radioactive materials and these areas must be remediated before they can be developed for re-use.

The Company may be unable to separate sufficient radioactive material from the REEs, which could materially adversely affect its ability to further process the REEs or may make further processing impossible or at an increased cost. The exposure of the Company's employees, contractors and others at the site to unsafe levels of radiation or the failure to comply with other applicable regulations could cause the Company to be subject to substantial penalties, fines, claims, litigation and other liabilities and/or mandatory cessation of operations. Additionally, it is possible that the levels of radiation could make it impractical to pursue the development of the Steenkampskraal Project including the proposed processing activities. The Company's obligations to the DMR and the NNR are to manage the process and meet the legal requirements, minimizing exposure to workers, the public and the environment.

### **Lack of Production and Revenue**

The Company currently has no commercial production at any of its mineral properties and has never recorded any revenues from mining operations. The Company expects to continue to incur losses, and will continue to do so until such time, if ever, as its properties commence commercial production and generate sufficient revenues to fund its continuing operations. The development of mining operations at any of the Company's mineral properties will require the commitment of substantial resources for operating expenses and capital expenditures, which may increase in subsequent years as it adds, as needed, consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties. It is also common in new mining operations to experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties, and other factors, many of which are beyond the Company's control. There can be no assurance that commercial production will ever be achieved and the Company may never generate any mining revenues or achieve profitability.

### **Costs, Production and Economic Return**

The capital costs to take any of the Company's projects, and specifically the Steenkampskraal Project, into production or to achieve the designed output of processing activities may be significantly higher than anticipated. Escalation of costs is a common occurrence and has been a significant factor in the decisions to suspend exploration, construction, expansion, or further development for mining companies at both the exploration and the production stages. Transportation costs for the Company's projects may be considerable due to their remote locations. If the Company is unable to manage the cost of transporting reagents and other materials to the project sites or minimize the amount of reagents and other materials used when processing ore, the economics of the projects will be significantly adversely affected.

None of the Company's mineral properties have a recent operating history upon which it can base estimates of future operating costs. Decisions about the development of the Steenkampskraal Project are based upon the Feasibility Study using assumptions which are estimates only and may prove to be incorrect, and decisions about the Hoidas Lake project and its other mineral properties may not be based upon a pre-feasibility study or a feasibility study and may be based solely on management's internal estimates and/or a PEA. Under typical circumstances a pre-feasibility study and a feasibility study each reflects a correspondingly higher level of confidence of estimates of cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of the ore to be mined and processed based on an independently authored NI 43-101 technical report;
- anticipated recovery rates of rare earth metals from the ore;
- cash operating costs of comparable facilities and equipment;
- environmental and occupational health and safety requirements;
- operational and design parameters in the mine; and
- anticipated climatic conditions.

Capital costs, operating costs, production and economic returns, and other estimates contained in studies or estimates prepared by or for the Company may differ significantly from those anticipated by its current studies and

estimates, and there can be no assurance that the Company's actual operating costs will not be higher than currently anticipated.

### **Competition**

The rare earths mining and processing markets are capital intensive and highly competitive and the Company competes with many companies possessing far greater financial resources and technical facilities than it. The Company's Chinese competitors, for example, may have greater financial resources, as well as other strategic advantages to maintain, improve and possibly expand their facilities. Additionally, the Chinese producers have historically been able to produce at relatively low costs due to domestic economic factors. Significant competition also exists for the acquisition of mineral concessions, claims, leases and other mineral interests. The Company may be at a competitive disadvantage in acquiring additional mineral properties because it must compete with other larger, established mining companies, many of which have greater access to credit and other financial resources, operational experience, technical capabilities, lower cost structures, more effective risk management policies and procedures and/or a greater ability than the Company to withstand losses. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge to the Company's detriment. The Company may not be able to compete successfully against current and future competitors, and any failure to do so could have a material adverse effect on its business, financial condition or results of operations. Industry consolidation may result in substantially larger industry participants which may lead to less competition and increased risks relating to market prices for the Company's products.

The Company may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Competition for exploration resources at all levels can fluctuate materially, which may particularly affect the availability of skilled manpower, drill rigs, general logistics and engineering resources. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

### **No Assurance of Titles or Borders**

Although title to the Company's mineral properties is not currently known to be uncertain, there is always a risk present that such title may prove to be uncertain, defective or subject to challenges or other claims, including land title claims. There can be no assurance that the Company has properly determined title to properties in which it has a material interest, nor is there any guarantee that title to such properties will not be challenged or impugned. There may be valid challenges to the title of the Company's properties, which, if successful, could impair its ability to explore, develop and/or operate its properties or to enforce its rights with respect to such properties. Certain rights and title may be claimed with respect to government owned properties or other types of tenure with respect to which mining rights have been conferred. In addition, other parties may dispute the Company's title to the properties in which it has an interest and such properties may be subject to prior unregistered agreements, transfers or land claims, and title may be affected by undetected encumbrances or defects or government actions. An impairment to or defect in the Company's title to its properties could have a material adverse effect on its business, financial condition or results of operations. In addition, such claims, whether or not valid, will involve additional costs and expenses to defend or settle, which could adversely affect the Company's profitability. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claim to individual mineral properties may be severely constrained.

### **Foreign Jurisdiction**

The Company's material properties, operations and subsidiaries are located in foreign jurisdictions. The enforceability, certainty and permanence of laws in foreign jurisdictions are not always similar to that in Canada, the United Kingdom or the U.S. and the Company's title to, and interests in, its properties, the right to work the same, the ability to conduct business generally and the ability to expatriate profits, if any, may be adversely affected.

Specifically, the Company's exploration and anticipated mining activities at the Steenkampskraal Project are subject to various South African national, provincial and local legislation. The regulatory environment in South Africa is developing, lacks clarity in a number of areas and is subject to interpretation, review and amendment as the mining

industry is further developed and liberalized. In addition, the regulatory process entails a public comment process, which makes the outcome of the legislation uncertain and may cause delays in the regulatory process. A number of significant matters have not been finalized, including the legislation dealing with beneficiation. Mineral beneficiation has become one of the major drivers in advancing the empowerment of historically disadvantaged communities in South Africa. It also presents opportunities for development of new entrepreneurs in large and small mining industries. The Company cannot predict the outcome or timing of any amendments or modifications to applicable South African regulations or the interpretation thereof, the release of new regulations or their impact on the Company's business.

Pursuant to South African law, the SWT, a Black Economic Empowerment entity established to comply with South African legislation, holds a 26% equity interest in SMM, which in accordance with the SMM Shareholder Agreement, entitles the SWT to a portion of the profits allocated to SMM by Rareco. There is a risk that the Company could be subject to labour issues and potential lawsuits if the terms and conditions of the SMM Shareholder Agreement are not adhered to or there is a dispute in respect of the profit allocation and distribution as allocated to the SWT in terms of said shareholder agreement.

The location of the Company's properties may be in jurisdictions with tax rates higher than other jurisdictions in which it operates or may choose to operate. There may be limited or no ability to engage in tax planning and achieve any tax efficiencies.

South Africa has recently undergone major constitutional changes to effect majority rule, and affecting mineral title ownership. Accordingly, all laws may be considered relatively new, resulting in risks such as possible misinterpretation of new laws, unilateral modification of mining or exploration rights, operating restrictions, increased taxes and royalties, environmental regulation, mine health and safety regulation and other related risks arising out of a new sovereignty over mining, any or all of which could have an adverse impact on the Company. The Company's operations may also be affected in varying degrees by political, unionized labor and economic instability, terrorism, crime, extreme fluctuations in currency exchange rates, and inflation.

Changes, if any, in mining or investment policies or shifts in political attitude in South Africa may adversely affect the Company's operations or likelihood of future profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. For instance, the South African government enacted the *Royalty Act*, which came into operation on March 1, 2010. The *Royalty Act* imposes a royalty payable to the South African government by mining operations based upon financial revenue (turnover) from the transfer and sale of Mineral Resources. As a result, any potential production at the Steenkampskraal Project will be subject to a royalty payable to the South African government between 0.5% and 7% of gross sales of unrefined Mineral Resources. Any future change in the royalties payable could have a material adverse effect on the Company's results of operations and financial condition.

The political situation in South Africa also introduces a certain degree of risk with respect to the Company's activities. The Government of South Africa exercises control over such matters as exploration and mining licensing, permitting, exporting and taxation, which may adversely impact the Company's ability to carry out exploration, development and mining activities. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with interests contrary to its own.

### **Environmental Risks and Hazards**

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates, including regulations governing the handling of radioactive materials. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation and rehabilitation. They also set forth limitations on the transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving and is likely to continue evolving, in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, a heightened degree of responsibility for companies and their officers, directors and employees

and potentially greater financial and economic burdens. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the Company's properties which are unknown to it at present and which have been caused by previous or existing owners or operators of its properties.

Furthermore, the exploration and development of the Company's mining properties imposes obligations to reclaim any disturbed lands and to address any environmental impacts caused by the Company's operations and, in certain cases, past operations. In particular, the costs to address historic impacts at the Steenkampskraal mine are highly uncertain and could be significant. There can be no assurances that the reclamation obligations will not have a material impact on the Company's financial performance, financial position and results of operations.

The Company's processing related activities are also subject to various environmental laws and regulations. In particular, LCM must comply with the European Union's Registration, Evaluation, Authorization and Restriction of Chemical substances ("REACH") regulation, which requires the registration of chemical substances entering the European Union. The Company believes that it will need to be the lead registrant on two chemicals, and may need to have approximately ten other chemicals registered. The deadline for registration for some of these was 2013. For others, including two where LCM is likely to be lead registrant, the deadline is 2018. Failure to receive required registration may materially adversely affect the Company's ability to obtain key materials needed for its processing operations and its business and operations. There can be no assurances that compliance with REACH will be achieved in time or at all or that the expenditure of the corporate resources required to obtain such registrations will not have a material impact on the Company's financial performance, financial position and results of operations.

### **Government Regulation**

The Company's mineral exploration and anticipated development activities are subject to various South African, Canadian, United Kingdom and other foreign laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail current or anticipated exploration, development or processing activities by the Company.

Many of the Company's mineral rights and interests are subject to government approvals, licenses and permits and the Company does not currently have all approvals required to conduct its business as ultimately proposed. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of applicable governments or governmental officials. No assurance can be given that the Company will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties. Based on historical data, there are a number of known monazite occurrences which lie outside of the 474 hectare Steenkampskraal mine site area which warrant the proposed prospecting exploration work.

Amendments to current laws and regulation governing operations or more stringent implementation thereof could have a substantial impact on the Company and cause increases in exploration expenses, capital expenditures or anticipated production costs or require abandonment or delays in development of new mining properties.

### **Conflicts of Interest**

Certain of the Company's directors and officers also serve as directors and/or officers of, or in managerial positions with, or have significant shareholdings in, other companies involved or related to natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. To the extent that such other companies may participate in ventures in which the Company may participate in, or in ventures which it may seek to participate in, the Company's directors and officers have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the Company. In addition, the Company's directors are



required to declare any interest in any matter in which such director may have a conflict of interest in accordance with the procedures set forth in the Canada Business Corporations Act and other applicable laws.

### **Foreign Currency**

The Company operates internationally with certain offices, properties and operations in Canada, the U.S., South Africa and the United Kingdom, which gives rise to the risk that its financial instruments may be adversely impacted by exchange rate fluctuations. The Company raises required capital in Canadian and U.S. dollars, but makes expenditures in Canadian and U.S. dollars as well as British pounds and South African Rand. The exchange rate between these currencies has fluctuated significantly in recent years and in most years has resulted in foreign exchange losses. The Company does not currently enter into foreign currency contracts to hedge against currency risk. The Company reports its results in Canadian dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar, British pound or South African Rand could have an adverse impact on any future operating results and financial performance.

### **Multinational Company**

The Company is a multinational company that conducts operations through foreign subsidiaries and joint ventures. Accordingly, any limitations, or the perception of limitations, on transfer of cash or other assets between it and these entities, or among these entities, could restrict the Company's ability to fund its operations efficiently, or to repay its debts, and could impact negatively the Company's valuation and share price.

### **Legal Proceedings**

The Company may be subject to claims or legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. These matters may give rise to legal uncertainties or have unfavourable results. In addition, the Company may be involved in disputes with other parties in the future that may result in litigation or unfavourable resolution which could materially adversely impact the Company's financial position, cash flow and results of operations.

### **Aboriginal Rights**

The Company is not aware of any aboriginal land claims with respect to the Company's properties; however, there is no assurance that such claims will not be asserted in the future. The Company believes in and is supportive of cooperative relationships with indigenous people in conducting exploration and development activities, and recognizes the mutual benefit in such cooperation.

### **Inflation Rates**

Because the Company generally cannot control the market price at which commodities it produces are sold, it may be unable to pass through increased costs of production to its customers. As a result, it is possible that significantly higher future inflation in the countries in which the Company operates may increase future operational costs without a corresponding increase in the price of the commodities it produces, or a concurrent depreciation of the local currency against the Canadian dollar.

Cost inflation in the mining sector is more apparent during periods of high commodity prices because demand for mining-related products and services can tend to exceed supply during such periods, although such inflation can occur at any point in the commodity cycle. A lag in the reduction of input costs relative to declining commodity prices will have a similar negative effect on the Company's operations. Any such increased costs or delays in cost reductions may adversely affect the Company's profit margins, financial position, cash flows and results of operations, and such effects could be material.

## **DIVIDENDS**

No dividends have been declared in the three most recently completed financial years of the Company. Any decision to pay dividends on the Common Shares will be made by the Board of Directors after taking into account many factors, including operating results, financial condition, capital requirements, business opportunities and restrictions contained in any financing agreements. The terms of the Bonds currently restrict the Company's ability to pay dividends.

## **CAPITAL STRUCTURE**

### **General Description of Share Capital**

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value, and an unlimited number of preferred shares (the "**Preferred Shares**") issuable in series. As at December 31, 2014, 418,738,174 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preferred Shares issued and outstanding. As of the date of this AIF, the Company had 418,738,174 Common Shares issued and outstanding and no Preferred Shares were issued and outstanding.

### **Common Shares**

The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Company's shareholders and are entitled to one vote for each Common Share held (except at meetings where only the holders of another class of shares are entitled to vote). Except as otherwise provided for in the Articles, on a show of hands, each holder of Common Shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every Common Share held by him or her.

Subject to the rights attaching to any other class of shares, the holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Board of Directors and are entitled to receive the remaining property upon liquidation of the Company.

### **Preferred Shares**

The Company is authorized to issue an unlimited number of Preferred Shares. The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as determined by the Board of Directors, who may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. As at the date hereof, there are no Preferred Shares issued and outstanding. The Preferred Shares of each series shall, with respect to dividends, liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given such other preferences and priorities over the Common Shares and any other shares of the Company ranking junior to such series of Preferred Shares.

### **Warrants**

On certain issues of Common Shares, the Company attached Warrants entitling the holder to acquire additional Common Shares of the Company. Similarly, on certain Common Share issuances, the Company granted either broker unit warrants or broker warrants as partial consideration to the agent for services related to such share issues.

As at December 31, 2014 there were 8,464,949 warrants issued and outstanding, exercisable at a weighted average price of \$0.50 per share. As at the date of this AIF there were no Warrants outstanding. The Company currently does not have any broker warrants outstanding.

## Options

As at December 31, 2014, there were 15,650,000 stock options outstanding to purchase an aggregate of 15,650,000 Common Shares exercisable at a weighted average price of \$0.41 per share. As at the date of this AIF, there was no change to the number of stock options outstanding.

## Shareholder Rights Plan

The Rights Plan was adopted by the Company to ensure the fair and equal treatment of all of its shareholders in the event of an unsolicited take-over bid for Common Shares. The Rights Plan was also adopted to provide all of the Company's shareholders with an equal opportunity to share in any premium paid upon an acquisition of control over the Company and to allow both its shareholders and its Board of Directors adequate time to assess a take-over bid made for the Common Shares in relation to the Company's circumstances and prospects and to allow a reasonable period of time for Board of Directors to explore and develop alternative courses of action in an attempt to maximize shareholder value, if the Board of Directors is of the opinion that it is appropriate to do so. The Rights Plan was approved on June 27, 2014 and does not require re-approval until the end of the annual meeting of shareholders in the year 2017. The full text of the Rights Plan is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSXV under the stock market symbol "GWG". The following table sets forth the price range (high and low) of the Common Shares and volume traded on the TSXV for the periods indicated:

2014	High	Low	Volume
January	\$0.14	\$0.07	1,696,800
February	\$0.12	\$0.10	451,400
March	\$0.13	\$0.09	651,000
April	\$0.10	\$0.09	258,000
May	\$0.10	\$0.08	380,500
June	\$0.09	\$0.07	320,200
July	\$0.09	\$0.07	222,300
August	\$0.09	\$0.08	325,100
September	\$0.08	\$0.04	510,600
October	\$0.05	\$0.04	169,800
November	\$0.05	\$0.04	184,200
December	\$0.04	\$0.03	345,500

## PRIOR SALES

The following table summarizes the issuances of Common Shares and securities convertible into Common Shares for the year ended December 31, 2014, as applicable.

Description	Issue Date	Number of Securities	Exercise/ Conversion Price	Expiry Date
Stock options	January 22, 2014	800,000	0.10	January 22, 2019
Stock options	March 3, 2014	400,000	0.10	March 3, 2019

## DIRECTORS AND OFFICERS

The following table sets forth the names and municipalities of residence of the directors and executive officers of the Company as at December 31, 2014 and the date of this AIF, their respective positions and offices with the Company and date first appointed or elected as a director and/or officer and their principal occupation(s) within the past five years.

<b>Name and Province/State and Country of Residence</b>	<b>Position Held and Date Appointed</b>	<b>Principal Occupation for past five years</b>	<b>Common Shares Beneficially Held<sup>(5)</sup> and %</b>
Robert Quinn <sup>(4)</sup>  Texas, United States of America	Director since 2006  Chairman of the Board	Attorney with Quinn & Brooks LLP since 2003. Director of Formation Capital Corporation, and North American Palladium Ltd.	200,000  0.048%
J. Rupert Allan <sup>(1),(2),(3),(4)</sup>  British Columbia, Canada	Director since 2007	Vice President Exploration and Director of Skeena Resources Limited since 1997 (former President and CEO); former Vice President of Exploration of Boss Power Corp.; former technical advisor to Virginia Energy Resources Inc.; former director of Brett Resources Inc.; and former director of Great Western Diamonds Corp.	450,000  0.107%
K. Marc LeVier <sup>(4)</sup>  Colorado, United States of America	President and Chief Executive Officer since 2013 and a Director since 2012	President and Chief Executive Officer of the Company since January 2013 and a Director of the Company since December 2012; Previously President and Chief Executive Officer as well as a Director of Texas Rare Earth Resources Corp. from 2011-2012; Mr. LeVier held several professional positions with Newmont Mining Corporation over 22 years.	10,000  0.002%
Lenard Boggio <sup>(1),(2),(3)</sup>  British Columbia, Canada	Director since 2013  Lead Independent Director	Retired since 2012; Prior to 2012, Mr. Boggio was an auditor and Partner with PricewaterhouseCoopers LLP ("PwC") and Coopers & Lybrand from 1982.	Nil
Donald Siemens <sup>(1)</sup>  British Columbia, Canada	Director since 2014	Self-employed Financial Services executive since 1995. Director and Audit Committee Chair of several public companies.	Nil
Bruce Higson-Smith <sup>(2),(3)</sup>  Colorado, United States of America	Director since 2014	Senior Vice President of Corporate Strategy with Golden Star Resources Ltd.	Nil
Thomas Mair  Colorado, United States of America	Chief Financial Officer and Vice-President Finance since 2013	Chief Financial Officer of the Company since July 2013; Previously President, CEO and a board member at Golden Star Resources Ltd. from 2007 to 2012	Nil

<b>Name and Province/State and Country of Residence</b>	<b>Position Held and Date Appointed</b>	<b>Principal Occupation for past five years</b>	<b>Common Shares Beneficially Held<sup>(5)</sup> and %</b>
Michael Der Alberta, Canada	General Counsel and Vice-President Corporate and Legal Affairs from 2011-2015, Corporate Secretary since 2012	Associate with Davis LLP since 2009; Prior to 2009 an Associate with Bennett Jones LLP.	34,800 0.008%
Victor-Mark Fitzmaurice Western Cape, South Africa	Managing Director of South African Subsidiary - Rareco since 2013	Mining and Project Management Consultant for various mining projects in Africa; CEO of Gulf Resources (ASX), General Manager of AIM Resources (LSE); Mine Manager of Aquarius Platinum (LSE/ASX/JSE); Senior Project Manager at De Beers	Nil
Ian Higgins Cheshire, UK	Managing Director – Metals and Alloys and Managing Director – LCM	Managing Director – Metals and Alloys and Managing Director – LCM since 2011. General Manager LCM 2008 - 2011	Nil
David Murphy Cheshire, UK	Vice President – Sales and Marketing	Vice President – Sales and Marketing since 2012. Commercial Director - LCM 2011-12. Commercial Manager - LCM 2008 - 2011	Nil

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Nominating and Corporate Governance Committee.
- (4) Member of the Technical, Health, Safety and Environment Committee.
- (5) Shares held as of March 31, 2015. The information as to shares beneficially owned, not being within the knowledge of the Company, has been obtained from the SEDI website or verified with the individual. To the knowledge of the Company, none of the persons named above controls or directs any common shares other than the shares disclosed.

The directors listed above will hold office until the next annual meeting of the Company or until they resign or their successors are elected or appointed.

As at the date of this AIF, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly or exercised control or direction over 694,800 Common Shares or less than 1% of the issued and outstanding Common Shares of the Company.

**Cease Trade Orders or Bankruptcies**

Other than described below, no director, executive officer or other member of management of the Company is, or within the ten years prior to the date of hereof has been a director, executive officer or promoter of any other corporation that while that person was acting in that capacity:

- (a) was the subject of a cease trade order or similar order or an order that denied the Company access to any statutory exemptions for a period of more than 30 consecutive days; or

- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, being the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets.

Mr. Quinn was a director of Mercator Minerals Ltd. ("Mercator") when it filed a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act (Canada) (the "BIA") on August 26, 2014. Mr. Quinn ceased to be a director on September 4, 2014. Pursuant to section 50.4(8) of the BIA, Mercator was deemed to have filed an assignment in bankruptcy on September 5, 2014 as a result of allowing the ten-day period within which Mercator was required to submit a cash flow forecast to the Official Receiver to lapse.

### **Penalties or Sanctions**

Other than as described below, no director or officer of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body including a self-regulatory body that would be likely to be considered important to a reasonable security holder making a decision about the Company.

Mr. Quinn was a director of Mercator until September 4, 2014. On November 8, 2011, an order was issued by the United States Securities and Exchange Commission (the "SEC") revoking the registration of Mercator's common shares in the United States for failing to file periodic reports. On November 8, 2011, Mercator filed a Form 40-F registration statement with the SEC to re-register Mercator's common shares in the United States. The Form 40-F registration statement became effective on January 8, 2012.

### **Personal Bankruptcies**

No director or executive officer or a personal holding company of any such person has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

### **Conflicts of Interest**

Certain directors and officers of the Company and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with the Canada Business Corporations Act, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the Board of Directors are required to act honestly and in good faith with a view to the best interests of the Company.

## **AUDIT COMMITTEE**

### **The Audit Committee Charter**

The Audit Committee's Charter is attached hereto as Appendix "A".

## **Composition of the Audit Committee**

The Audit Committee currently consists of Lenard Boggio (Chair), Donald Siemens and Rupert Allan. The board is of the view that all of the members of the Audit Committee are independent and financially literate.

## **Relevant Education and Experience of Members of the Audit Committee**

### *Lenard Boggio*

Mr. Boggio chairs the Audit Committee and sits on the Compensation, and Nominating and Corporate Governance Committees. Mr. Boggio was with Coopers & Lybrand and then PricewaterhouseCoopers LLP (“PwC”) from 1982 until his retirement from PwC in May 2012. During that time, he was Leader of the B.C. Mining Group of PwC, a senior member of PwC’s Global Mining Industry Practice and an audit practitioner for publicly listed Canadian, U.S. and U.K. mineral resource and energy clients. The scope of his clients’ activities included exploration, development and production stage operations in the Americas, Africa, Europe and Asia. Mr. Boggio holds a B.A. and B.Comm. from the University of Windsor, Ontario and is a member of the Institute of Chartered Accountants of British Columbia and Ontario. He is also a CPA in Illinois and a member of the State Boards of Accountancy of Illinois and Washington State. He holds an ICD.D designation and is a member of the Institute of Corporate Directors. Mr. Boggio’s other roles currently include Board Member and Chair of the Canadian Institute of Chartered Accountants and Commissioner of the Financial Institutions Commission of B.C.

### *J. Rupert Allan*

Mr. Allan has over forty years of technical and management experience with Canadian junior mining and exploration companies engaged in search and development of base and precious metals, diamonds, and uranium. Mr. Allan is based in Vancouver, B.C., and is a Professional Geologist with the Association of Professional Engineers, Geologists and Geophysicists of Alberta, as well as a member of the Prospectors and Developers Association of Canada. The majority of Mr. Allan’s work has been focused on a diverse range of properties in Canada, but he also has worked in many areas around the world including: Bulgaria, Sweden, Mali, Burkina Faso, Cote d’Ivoire, Zimbabwe, Jamaica, Ecuador, Mexico, the mainland United States, and parts of Alaska. Currently, he is the Vice President Exploration of Skeena Resources Limited, which is active with gold exploration projects in Canada and Mexico. This diversity of experience is enhanced by directorships with mineral exploration companies and consulting firms such as Boss Power Corp (former VP of Exploration), Santoy Resources Limited (technical advisor), and Taiga Consultants Ltd. (senior partner and president).

### *Donald Siemens*

Mr. Siemens brings over 30 years of experience to the board as a Chartered Accountant, including 8 years in public practice as a partner with major accounting firms, 8 years in senior executive positions in the industry and 18 years as a self-employed financial services executive. Mr. Siemens is currently engaged in merger and acquisitions and corporate finance assignments. Previously, Mr. Siemens was Partner-in-Charge of Thorne Ernst & Whinney’s (now KPMG) Vancouver office Financial Advisory Services group. Mr. Siemens obtained a Chartered Accountant designation in 1972, and a B.A. from the University of British Columbia.

He currently serves as a director and Audit Committee Chair for seven public companies: Hansa Resources Ltd., Nikos Explorations Ltd., Argentex Mining Corp., Boss Power Corp., Grande West Transportation Inc., Atlantic Gold Corporation and Wildcat Silver Corporation.

## **Reliance on Certain Exemptions**

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on any of the exemptions National Instrument 52-110 *Audit Committees*.

## Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board.

## Pre-Approval Policies and Procedures

The Audit Committee is authorized by the board to pre-approve all non-audit services proposed to be provided by the external auditor as disclosed in paragraph 8 (f) of the Audit Committee Charter (Appendix "A").

### External Auditor Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit and non-audit services are as follows:

Type of Work	2014 Fees (\$) <sup>(1)</sup>	2013 Fees (\$) <sup>(1)</sup>
Audit Fees <sup>(2)</sup>	236,800	273,300
Audit Related Fees <sup>(3)</sup>	80,800	294,200
Subtotal	317,600	567,500
Tax Fees <sup>(4)</sup>	43,970	43,425
All Other Fees <sup>(5)</sup>	580	21,000
Total	362,150	631,925

### Notes

- (1) Financial years ended December 31.
- (2) The aggregate audit fees billed.
- (3) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not included under the heading "Audit Fees", including consultations on IFRS and financial statement disclosures, and discussion with management and audit committee members on internal controls and account procedures.
- (4) The aggregate fees billed for professional services rendered for tax compliance such as filings of tax returns and international tax advice.
- (5) The aggregate of other fees billed related to assistance with annual filings for LCM in 2014 and sales tax advisory services for GWMG in 2013.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as described in herein, including under "Three Year History – Financial Year Ended December 31, 2013" and "Three Year History – Financial Year Ended December 31, 2014" there are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

There are no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated during the financial year ended December 31, 2014.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein, or as previously disclosed, the Company is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer or any shareholder holding more than 10% of the Common Shares or any associate or affiliate of any of the foregoing in any transaction within the three most recently completed financial years or during the current financial year or any proposed or ongoing transaction of the Company which has or will materially affect the Company.



### **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The auditors of the Company are KPMG LLP, Chartered Accountants located at 500 - 475 2<sup>nd</sup> Avenue South, Saskatoon, Saskatchewan S7K 1P4.

The Company's Transfer Agent and Registrar is Computershare Investor Services Inc. located at 510 Burrard Street, 2nd Floor, Vancouver, British Columbia V6C 3B9.

### **MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business, there are no material contracts (as defined in Section 12.2 of NI 51-102) entered into during the financial year ended December 31, 2014 (or that were entered into prior to the financial year ended December 31, 2014) that are still in effect other than:

- (a) the trust deed dated April 5, 2012 between GWMG and Wilmington Trust (London) Limited relating to the Bonds (as amended by the Supplemental Trust Deed); and
- (b) the Rareco Offtake Agreement.

### **NAMES OF EXPERTS**

The Qualified Persons who prepared the Feasibility Study on behalf of Venmyn Deloitte were:

<b>Name</b>	<b>Company</b>	<b>Title</b>
Andrew Neil Clay	Venmyn Deloitte	Managing Director
Fiona Harper	Venmyn Deloitte	Senior Manager
Andrew Johan de Klerk	Venmyn Deloitte	Manager
Robert Machowski	ULS Mineral Resource Projects (Pty) Ltd	Chief Executive Officer
Vaughn Glenn Duke	Sound Mining Solution (Pty) Ltd	Director
Ivor W.O. Jones	Denny Jones (Pty) Ltd	Principal
Giuseppe L. Marra	ULS Mineral Resource Projects (Pty) Ltd	Technical Director

The Qualified Person who has supervised the preparation of the scientific and technical information in this AIF which must be prepared by a Qualified Person, other than with respect to the Feasibility study was Brent Jellicoe. Mr. Jellicoe verified such information through his experience with the properties described in this AIF.

### **INTERESTS OF EXPERTS**

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or related to, the Company's most recently completed financial year other than Venmyn Deloitte, the Company's independent engineering evaluators and KPMG LLP, the Company's auditors.

As at the date of hereof, the principal resource evaluators of Snowden, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

KPMG has confirmed that it is independent with respect to the Company (and its related entities) within the meaning of the Rules of Professional Conduct/Code of Ethics of the Chartered Professional Accountants of Saskatchewan.

As at the date of hereof, to the knowledge of the Company, Mr. Jellicoe beneficially owns, directly or indirectly less than 1% of any class of the Company's outstanding securities.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities, audit committee information and interests of insiders in material transactions, if applicable, is contained in the 2014 Circular.

Additional information is provided in the Company's most recently filed financial statements and management's discussion and analysis, which are available on SEDAR.

## Appendix “A”

### AUDIT COMMITTEE CHARTER

(Approved: March 31, 2015)

#### 1. Purpose

The Audit Committee (the “**Committee**”) is a standing committee of the Board of Directors (the “**Board**”) of Great Western Minerals Group Ltd. (the “**Corporation**”) appointed as required by s. 171 of the Canada Business Corporations Act and the Canadian Securities Administrators’ National Instrument 52-110 - *Audit Committees* (“**NI 52-110**”). Its purpose is to assist the Board in fulfilling its oversight responsibilities for (i) the integrity of the Corporation’s financial statements, (ii) the Corporation’s compliance with legal and regulatory requirements, and (iii) the qualifications and independence of the auditor of the Corporation (the “**external auditor**”).

#### 2. Authority

The Committee has authority to conduct or authorize investigations into any matter within its scope of responsibility. It is empowered to:

- a. Recommend to the Board the public accounting firm to be nominated for appointment by the Corporation’s shareholders as the external auditor, including the external auditor’s compensation, and oversee the work of the external auditor. The external auditor will report directly to the Committee.
- b. Resolve any disagreements between management and the external auditor regarding financial reporting.
- c. Pre-approve permitted non-audit services performed by the Corporation’s external auditor.
- d. Retain independent counsel, accountants, or others to advise the Committee or assist in its duties and to set and pay their applicable compensation.
- e. Meet with the Corporation’s officers, external auditor or outside counsel, as necessary and communicate directly with the Corporation’s shareholders.
- f. Delegate authority, to the extent permitted by applicable law, to one or more designated members of the Committee, including the authority to pre-approve all permitted non-audit services, provided that such decisions are reported to the full Committee at its next scheduled meeting.

#### 3. Composition

- a. The Committee must consist of at least three and no more than six directors, as determined by resolution of the Board from time to time.
- b. If and whenever a vacancy exists on the Committee, the remaining members may exercise all of its powers so long as there continue to be at least three members on the Committee. If at any time a vacancy exists on the Committee that the Board is required to fill, the Board may appoint a new member to fill such vacancy by ordinary resolution of the Board.
- c. Each Committee member must be independent and financially literate, as those terms are defined in NI 52-110 and in accordance with applicable corporate and securities laws and stock exchange rules.

#### 4. Meetings

- a. The Committee must meet at least four times per year, and at least annually, privately, with each of management and the external auditor.
- b. The greater of two members or 50% of the members of the Committee shall constitute a quorum. All resolutions of the Committee shall be made by a majority of its members present at a meeting duly called and held. All Committee members are expected to attend each meeting, in person or by telephone or video conference. Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.

- c. The Committee may invite such officers, directors and employees of the Corporation as it deems necessary or advisable from time to time to attend meetings of the Committee and assist in the discussion and consideration of the duties of the Committee.
- d. The time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee. Following a Committee meeting, the Committee Chair shall report on the Committees' activities to the Board at the next Board meeting. The Committee must keep and approve minutes of its meetings in which shall be recorded all action taken by it, which minutes must be made available to the Board as soon as practicable after each meeting of the Committee.

## **5. Chair**

The Chair of the Committee has the powers and responsibilities set forth in Schedule "A" hereto.

## **6. Responsibilities**

The Committee must:

- a. Review analyses prepared by management and/or the external auditor relating to significant accounting and reporting issues and understand their impact on the financial statements, including but not limited to:
  - (i) initial selection or application of accounting principles used by the Corporation, or any changes to the selection or application of accounting principles used by the Corporation and the impact on the financial statements of these initial selections or changes;
  - (ii) complex or unusual transactions undertaken by the Corporation;
  - (iii) matters requiring significant estimates and highly judgmental areas, including the effect of significant judgments and estimates made by management in the preparation of the financial statements;
  - (iv) compliance with covenants under any loan agreements or other arrangements;
  - (v) commitments and contingencies affecting the Corporation, or any off-balance sheet structures to which the Corporation is a party,
  - (vi) any significant variances with comparative reporting periods; and
  - (vii) the effect of regulatory and accounting standards initiatives on the financial statements of the Corporation.
- b. Review with management and the external auditor the preliminary plan for the audit of the Corporation's financial statements, including the significant audit risks identified by the auditors and their plan to address those risks during the completion of their work.
- c. Review with management and the external auditor the results of the external audit and the external auditor's findings with respect to the significant audit risks identified, including any potential errors or adjustments identified by the external auditor whether or not corrected or adjusted by management in the preparation of the financial statements. Consider the report by the external auditor of any difficulties encountered in the completion of their work, any significant changes required to their initial audit plan, any limitations on the scope of their planned audit procedures and any significant areas of disagreement with management, whether or not resolved to their satisfaction.
- d. Review and discuss the annual audited financial statements and interim unaudited quarterly financial statements with management and, where applicable, the external auditor, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), including the discussion of critical accounting estimates included therein.
- e. Review and recommend to the Board for approval, prior to public disclosure, the annual and interim unaudited quarterly financial statements, MD&A and annual and interim profit or loss press releases.
- f. Review disclosures made by the Chief Executive Officer and the Chief Financial Officer during the certification process about significant deficiencies or material weakness in the design or operation of

internal controls over financial reporting or any fraud that involves management or other employees who have a significant role in the Corporation's internal controls and, if applicable, understand the basis upon which the certifying officers concluded that any particular deficiency or combination of deficiencies did or did not constitute a material weakness.

- g. Review and recommend to the Board for approval, prior to public disclosure, financial information and earnings guidance provided externally by the Corporation, including to analysts and rating agencies if applicable. This review may be general (i.e., the types of information to be disclosed and the type of presentations to be made).
- h. Satisfy itself that adequate procedures are in place, and periodically assess the adequacy of those procedures, for the review of any public disclosure of financial information extracted or derived from the financial statements, other than the statements themselves, the MD&A or the press releases referred to above.
- i. Review and assess the Corporation's AFE Policy, Travel Policy, Control Policy, Disclosure Policy and Whistleblower Policy annually, including any periodic amendments thereto and make recommendations to the Board.

## **7. Internal Control**

The Committee shall also:

- a. Review management reports of the design and effectiveness of the Corporation's system for internal control over financial reporting, including the results of any evaluation undertaken of, or changes made to, the design or implementation of the internal controls over financial reporting, any significant deficiencies or material weaknesses identified, the steps management has taken to remediate the deficiencies and weaknesses and their plans with respect to deficiencies and weaknesses that have not yet been remediated.
- b. Review the scope of the external auditor's procedures related to internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- c. Review the external auditor's management letters and management's responses to such letters.
- d. As requested by the Board, discuss with management and the external auditor the Corporation's identifiable risks arising from any financial, operational or other deficiencies, the adequacy and effectiveness of the Corporation's accounting and financial controls relating thereto, and the steps management has taken to monitor and control identified risks.
- e. Review management reports on the Corporation's disclosure controls and procedures, including the results of any evaluation of the disclosure controls and procedures undertaken by management, any significant deficiencies or material non-compliance identified with respect to those controls and procedures, and the steps management has taken to remediate such deficiencies or instances of non-compliance.

## **8. External Audit**

The Committee shall also:

- a. Review the external auditor's proposed audit scope and approach.
- b. Review the performance of the external auditor.
- c. Review the report of the external auditor on matters required to be communicated to the Committee under Canadian Auditing Standards ("CAS") 240 (The Auditor's Responsibility Relating to Fraud in an Audit of Financial Statements) and CAS 260 (Communications with Those charged with Governance) of the CPA Canada Handbook - Assurance.
- d. Report any conclusions with respect to the external auditor performance to the Board.
- e. Establish and periodically assess the Corporation's hiring policies for partners, employees and former partners and employees of the current or prior external auditor.
- f. At least once per year, meet privately with the external auditor to discuss any matters that the Committee or the external auditor believes should be discussed privately.

- g. Review and pre-approve, in accordance with NI 52-110, any non-audit services, provided by the Corporation's external auditor, taking into consideration whether the delivery of non-audit services will interfere with the independence of the auditors. The pre-approval of non-audit services may be further delegated to one or more independent members of the Committee, provided that said pre-approval is presented to the Committee at its first scheduled meeting following such approval. The pre-approval requirement is satisfied with respect to the provision of *de minimis* non-audit services if:
- (i) the aggregate amount of all such non-audit services provided to the Corporation which were not pre-approved constitutes not more than 5% of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the non-audit services are provided;
  - (ii) the services were not recognized by the Corporation or its subsidiaries, at the time of the engagement, to be non-audit services; and
  - (iii) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

The Committee may from time to time establish specific pre-approval policies and procedures in accordance with NI 52-110.

## **9. Compliance**

The Committee shall also:

- a. Review reports by management on the effectiveness of the Corporation's system of monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- b. Establish and periodically assess the adequacy of procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees regarding questionable accounting or auditing matters.
- c. Review findings of any examinations by regulatory agencies, and any external auditor's observations made regarding those findings.
- d. Review the process for communicating the Code of Business Ethics to Corporation personnel, and for monitoring compliance therewith.

## **10. Reporting Responsibilities**

The Committee shall also:

- a. Report to the Board about Committee activities and issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's external auditor and internal controls over financial reporting.
- b. Review any other reports the Corporation issues that relate to Committee responsibilities.
- c. Liaise with the external auditor and the Board to ensure that any material issues that have arisen related to compliance and governance have been addressed and that appropriate actions have been identified and undertaken to mitigate the issues identified.
- d. The Committee shall at least annually evaluate its own performance and the contents of this Charter, including Schedule "A" attached hereto, and recommend to the Board such changes to the Charter as the Committee deems appropriate.

## **11. Other responsibilities**

The Committee shall also:

- a. Review with management the Corporation's major policies with respect to risk assessment and risk management.
- b. Perform other activities related to this Charter as requested by the Board.
- c. Institute and oversee special investigations as required with respect to the discharge of the Committee's duties hereunder.
- d. Ensure appropriate disclosure of this Charter as may be required by applicable law.

**Schedule “A”**

**GREAT WESTERN MINERALS GROUP LTD.**

**Audit Committee Chair Person Description**

In addition to the duties and responsibilities set out in the bylaws and any other applicable charter, mandate or position description, the chair (the “**Chair**”) of the Audit Committee (the “**Committee**”) of Great Western Minerals Group Ltd. has the duties and responsibilities described below.

1. Provide overall leadership to enhance the effectiveness of the Committee, including:
  - (a) overseeing the structure, composition, membership and activities delegated to the Committee;
  - (b) chairing every meeting of the Committee and encouraging free and open discussion at the meeting of the Committee;
  - (c) scheduling and setting the agenda for Committee meetings with input from other Committee members, the Chair of the Board of Directors and management as appropriate;
  - (d) facilitating the timely, accurate and proper flow of information to and from the Committee;
  - (e) arranging for management, internal personnel, external advisors and others to attend and present at Committee meetings as appropriate;
  - (f) arranging sufficient time during Committee meetings to fully discuss agenda items;
  - (g) encouraging Committee members to ask questions and express viewpoints during meetings, and
  - (h) taking all other reasonable steps to ensure that the responsibilities and powers of the Committee, as outlined in its Charter, are well understood by the Committee members and executed as effectively as possible.
2. Foster ethical and responsible decision making by the Committee and its individual members.
3. Encourage the Committee members to meet separately from the scheduled Committee meetings to ensure that all members have an opportunity to be fully informed of information that will be addressed by the Committee during the meeting.
4. Carry out such other duties as may reasonably be requested by the Board of Directors.