



WME

AUD \$0.15



Sticking with the Namibian uranium theme

We have been long-time supporters of serious uranium companies. By that, we mean companies with real projects that have real development potential. To this end we have essentially followed uranium plays in Namibia, with success on virtually every count. It's not rocket science. The country is a uranium-friendly destination, both from a resource perspective and from a regulatory perspective. Our readers have enjoyed strong success from such companies as Paladin Resources, Bannerman Resources and of course Extract Resources. We feel comfortable enough introducing another opportunity for our members, West Australian Metals.

This is our first coverage of Western Australian Metals.



From a charting perspective, it is encouraging to see investor support beginning to build for WME. Following six months of consolidation between 5 and 10 cents, prices have recently lifted to a high of 18.5 cents. Furthermore, since April, there has been a strong increase in daily trading volumes.

Currently, the stock has paused for consolidation just below the recent highs. This is not surprising considering the large percentage gains achieved over recent months. Nevertheless, once complete, with upward

momentum starting to build, we believe there is potential for new highs over the medium-term, initially targeting the 20 to 25 cent region.



Long-time Members would be aware that we have been particularly careful with respect to our portfolio uranium recommendations. Despite there being dozens upon dozens of uranium hopefuls on the ASX as a result of the uranium 'bubble' a few years ago, we have so far recommended only four companies; three of which are focused on Namibia.

We have not been interested in 'penny dreadful' uranium hopefuls destined to run out of cash before anything meaningful is achieved. Nor are we interested in companies exploring in parts of the world where sovereign risk issues are abnormally high.

We maintain our position that investment in high-quality uranium situations will provide much higher returns for Members over time than the more speculative alternatives. This brings us to Namibia. But for the uninitiated, why is Namibia so attractive?

Well Rio Tinto a couple of years ago voted with its feet, committing to a major expansion of its Rossing uranium mine (the world's biggest open-pit mine) after previously contemplating its closure. This is important, as Rio subsequently put its large Kintyre uranium deposit in Western Australia up for sale. Rio's actions speak volumes about where it sees the better growth prospects for its uranium business over the next decade and more. This is why we prefer Namibia as a uranium destination.

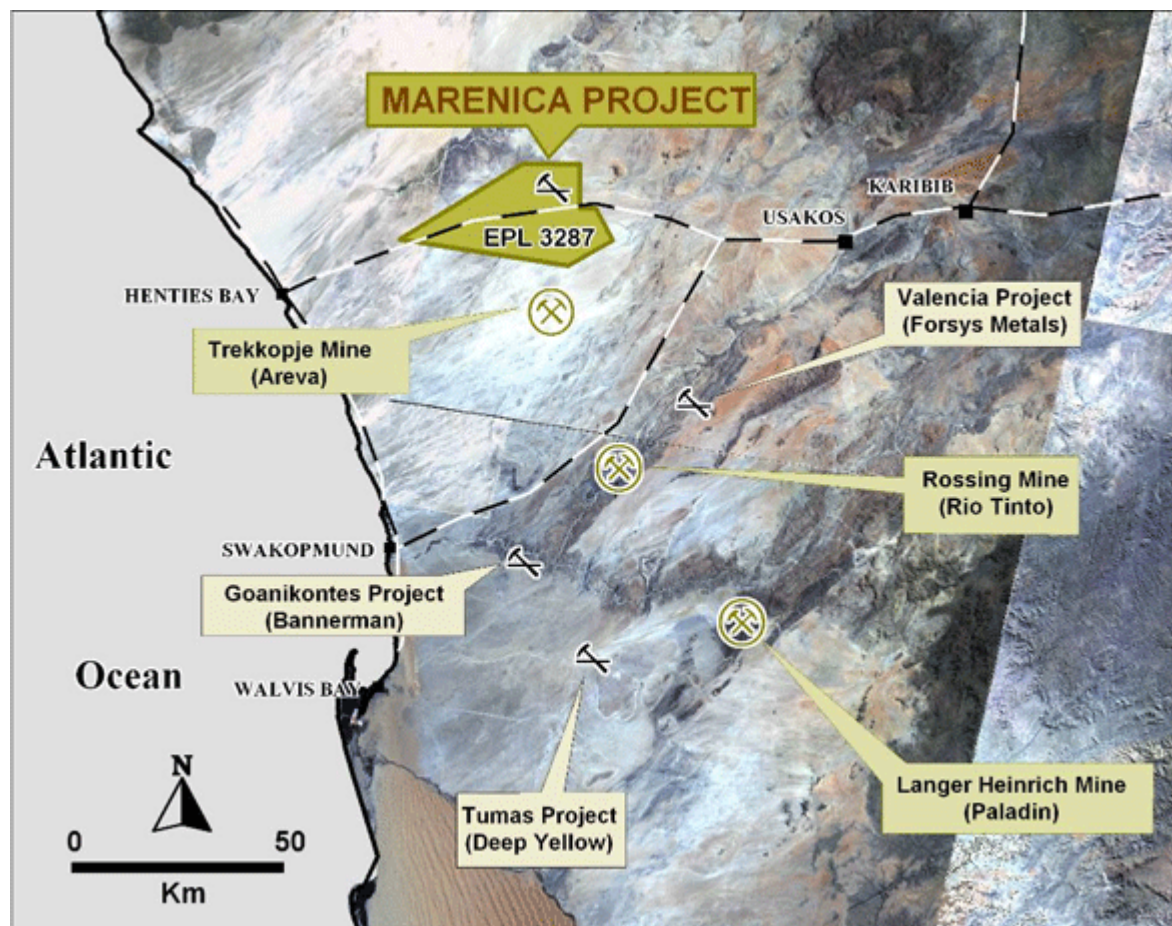
And what about Western Australia? Whilst uranium projects now potentially have the green light, they still have to prove their commercial viability. As we witnessed during the recent resource boom, having a deposit of any sort is no guarantee of commerciality. BHP's Yeelirrie deposit is likely to be the first cab off the rank, but it won't see commercial production until at least 2014.

We haven't changed our fundamental view that an established uranium mining destination like Namibia offers much more appeal and certainty for the prospective uranium investor and uranium project developer, than does Western Australia. After all, what happens if the anti-uranium Labor government is returned to power at the next state election?

This brings us to West Australian Metals. The company is not new to us, as it has been involved in uranium exploration in Namibia for some time now; however it formerly did not rank high on our priority list. The

catalyst for our changed view however has been the broom that has been put through the company's previous board, with an experienced, credible team now running the show.

We have had numerous presentations with the new board and we like what we see from an exploration perspective. By this we mean the bigger picture. The company boasts an existing uranium resource containing 34 million pounds of U3O8 within Exclusive Prospecting Licence (EPL) 3287, which covers 706 sq km. But like the Extract Resources story, the excitement lies not within the company's initial small-scale deposit, but with the potential for the unearthing of a Rössing South.



WME's Marenica project lies within the same uranium province as the Rössing and Langer Heinrich uranium mines and immediately north of the large Trekkopje mine, which is currently being developed by Areva. In April 2006, WME entered into a joint venture agreement whereby it could earn an 80% stake in the project by spending N\$1.5 million on exploration.

Previous exploration, notably by the Goldfields Group of South Africa, over the northeast portion of the EPL, outlined several uranium-mineralised areas. More than 32,000 metres of drilling was conducted in the delineation of secondary uranium deposits, associated with palaeo-drainage channels and weathered bedrock. The subsequent collapse in the uranium price resulted in Goldfields withdrawing from the project at the end of 1982.

The attraction from our perspective is that EPL3287 remains poorly explored for hard-rock deposits, which could potentially lie beneath the identified sedimentary channels and recent sheet wash.

The regional geology of the area comprises basin and dome tectonic features, where massive marbles of the Karibib Formation form three prominent domal structures, whilst steeply-dipping biotite schists (known as the Kuiseb Formation) form the basins similar to that of the Rössing Mine.

We therefore regard the potential to unearth a hard-rock uranium deposit as being encouraging; a view reinforced by the recent discovery of uraninite-bearing alaskites on the Marenica project.

And encouragingly, the company is now moving towards additional deeper diamond drilling as it more actively targets a hard-rock discovery. Indeed, the company's most recent program, which comprised eight diamond holes, provided a significant amount of geological and structural information to advance the exploration for primary uranium mineralisation.

Two of the holes, MARD038 and MARD039, which were drilled along the eastern margin of the Marenica dome, intersected several zones of hydrothermally-altered granite. This generated anomalous scintillometer readings of up to 750cps, indicating the presence of primary uranium mineralisation.

Some of the best intercepts include 7.0 metres @ 371 ppm U₃O₈ from 0.17 metres depth, 9.1 metres @ 242 ppm U₃O₈ from 0.13 metres depth, and 21.5 metres @ 748 ppm U₃O₈ from 2.63 metres depth.

The prospective area in question lies on the eastern edge of the Marenica Dome, within and adjacent to a large radiometric anomaly. The Marenica East prospect is located along the south-eastern edge of the Marenica Dome, the anomaly trends northeast over 300 metres and up to 80 metres in width, where bedrock is exposed.

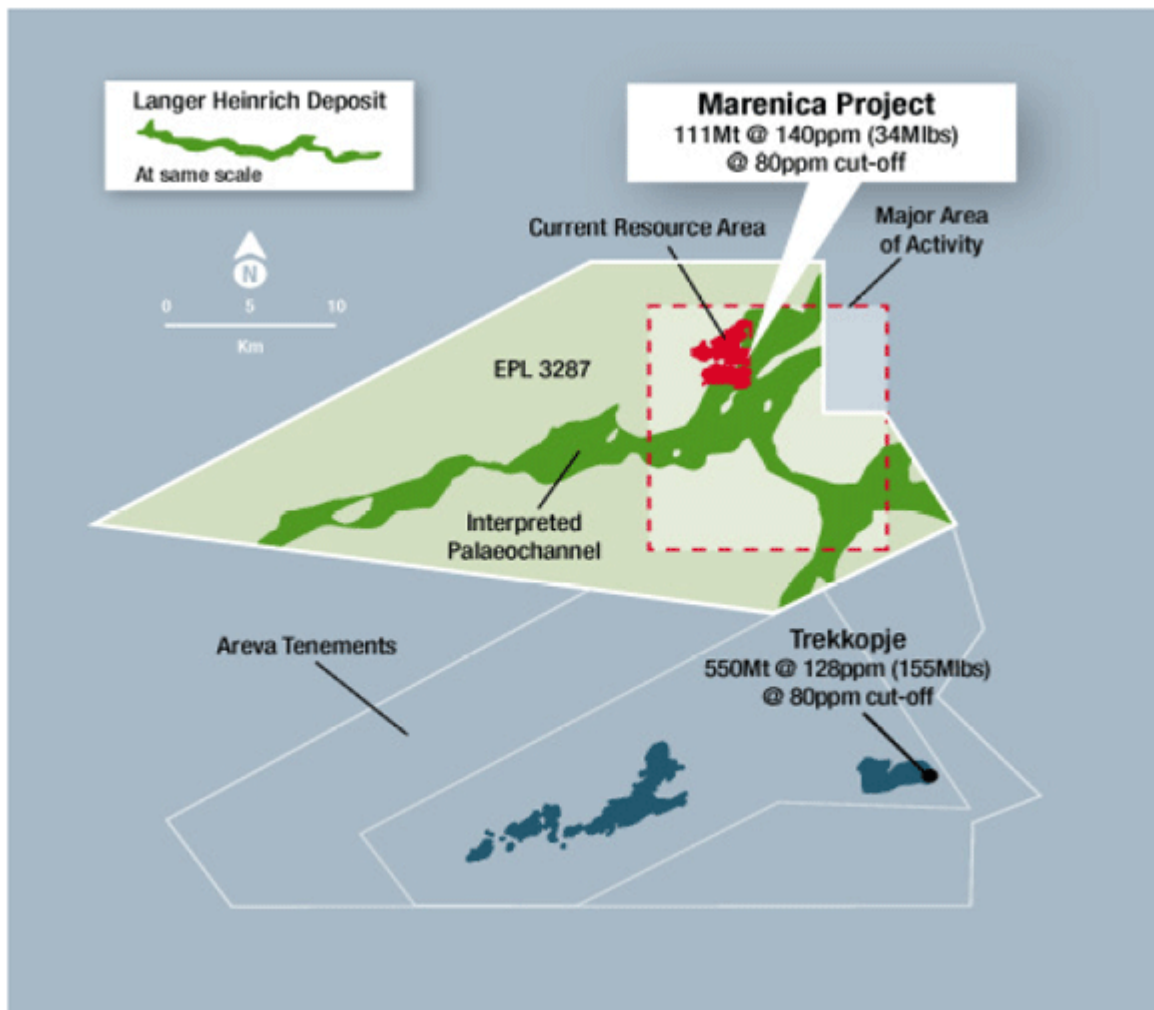


Figure 1: Marenica Project Location

Interestingly, we understand that secondary mineralisation was also intersected in holes along the southern margin in a major east-west structure in holes MARD033 to MARD036. We anticipate that down-hole probing of all drill-holes will commence soon, with results expected shortly.

International consultancy group SRK has been on site to collect a full suite of samples for mineralogy. Two geologists from Cardiff University have also collected samples for postgraduate research with information from this research expected to add significantly to the Company's understanding of both mineralisation styles and ultimately refine exploration models in the region.

Composite samples are being taken to supply a quantity of mineralised material from both palaeo-channel and bedrock environments, for metallurgical testwork which will be conducted at Mintek Laboratories,

Johannesburg.

So what are the next steps for investors?

Well, the company has taken an aggressive approach to the evaluation of primary uranium mineralisation at Marenica. Planning for a follow-up RC drilling program is underway based on the success of this diamond drilling, with a further \$3 million allocated to the 2009 field budget.

Meanwhile, work on upgrading the Marenica palaeo-channel resource from Inferred to Indicated status is likely to begin in June. Upgrading the resource category represents an important step towards the completion of a Scoping Study planned for completion by December 2009.

A large number of the original resource holes completed by Goldfields will initially be re-probed on closer spacings, enabling a large part of the resource currently defined on approximately 120 metre x 160 metre spacings to be refined to 60 metres x 80 metres.

Meanwhile, re-interpretation of the geology and palaeo-channel has outlined areas of higher grade mineralisation associated with the steeper, north-east trending edges of the three channels. We understand that these zones will be targeted by the new program of RC drilling planned for July.

We believe therefore that exciting times lie ahead for the company, with drilling to ultimately decide the potential of the company's acreage. We also like the fact that the company's new Chairman, Graham Woolford, purchased 3.5 million shares on-market at a value of \$0.525 million immediately after his appointment: a clear case of putting your money where your mouth is.

And given the attraction of Namibia as a uranium destination at present, it would not surprise us to see the introduction of a high-profile uranium sector investor, which in turn would boost the company's current cash reserves of around \$1.6 million.

Accordingly, we recommend West Australian Metals as a Buy around \$0.145.

Snapshot WME

West Australian Metals

The company is listed on the ASX and has been involved in uranium exploration in Namibia for some time now; however it formerly did not rank high on our priority list. The catalyst for our changed view however has been the broom that has been put through the company's previous board, with an experienced, credible team now running the show. The company boasts an 80% stake in an existing uranium resource containing 34 million pounds of U308 within Exclusive Prospecting Licence (EPL) 3287, which covers 706 sq km. But the real excitement lies not within the company's initial small-scale deposit, but with the potential for a substantial hard-rock deposit.

Market Capitalisation	A\$50m
------------------------------	---------------

DISCLAIMER

Fat Prophets has made every effort to ensure the reliability of the views and recommendations expressed in the reports published on its websites. Fat Prophets research is based upon information known to us or which was obtained from sources which we believed to be reliable and accurate at time of publication. However, like the markets, we are not perfect. This report is prepared for general information only, and as such, the specific needs, investment objectives or financial situation of any particular user have not been taken into consideration. Individuals should therefore discuss, with their financial planner or advisor, the merits of each recommendation for their own specific circumstances and realise that not all investments will be appropriate for all subscribers. To the extent permitted by law, Fat Prophets and its employees, agents and authorised representatives exclude all liability for any loss or damage (including indirect, special or consequential loss or damage) arising from the use of, or reliance on, any information within the report whether or not caused by any negligent act or omission. If the law prohibits the exclusion of such liability, Fat Prophets hereby limits its liability, to the extent permitted by law, to the resupply of the said information or the cost of the said resupply. As at the date at the top of this page, Directors and/or associates of the Fat Prophets Group of Companies currently hold positions in ABB Grain (ABB), Aurora Minerals (ARM), Austal (ASB), Australian Wealth Management (AUW), Avoca Resources (AVO), Avexa (AVX), Argo Exploration (AXT), BHP Billiton (BHP), Babcock & Brown Japan Property Trust (BJT), Boart Longyear (BLY), Biota Holdings (BTA), Catalpa Resources (CAH),

Catalpa Resource Options (CAHO), Coeur D'Alene Mines (CXC), Fat Prophets (FAT), Fat Prophets Options (FATO), Fosters Group (FGL), Global Mining Investments (GMI), Lihir Gold (LGL), Lion Selection (LST), Macarthur Coal (MCC), Maryborough Sugar Factory (MSF), Mundo Minerals (MUN), Mineral Securities (MXX), Mineral Securities Options (MXXO), Newmont Mining (NEM), Oil Search (OSH), Oz Minerals (OZL), Progen Options (PGLO), Platinum Australia (PLA), QBE Insurance (QBE), Rio Tinto (RIO), Roc Oil (ROC), St Barbara (SBM), Sirtex Medical (SRX), Territory Iron Ord (TFE), Telstra Corporation (TLS), Tox Free Solutions (TOX), View Resources (VRE), View Resources Options (VREO), Walter Diversified (WDS), Woodside Petroleum (WPL), Merrill Lynch Gold Fund, Platinum Japan Fund, Gold Bullion. These may change without notice and should not be taken as recommendations. The above disclaimer does not apply to investments held by the Fat Prophets Australia Fund Limited ACN 111 772 359 (FPAFL).