

GREAT WESTERN MINERALS GROUP LTD.

CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(Canadian dollars)

NOTICE OF NO AUDITOR REVIEW

The accompanying consolidated financial statements for Great Western Minerals Group Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgement. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

The auditor of Great Western Minerals Group Ltd. has not performed a review of these unaudited consolidated financial statements for the nine months ended September 30, 2009.

GREAT WESTERN MINERALS GROUP LTD.

CONSOLIDATED BALANCE SHEET

(unaudited)

September 30, 2009

(Canadian dollars)

September 30, 2009

December 31, 2008

	<u>ASSETS</u>		
Current Assets			
Cash	\$ 1,171,822	\$	646,941
Accounts receivable	1,824,596		1,485,254
Inventory	1,616,274		2,797,047
Deposits and prepaid expenses	291,140		563,783
	<u>4,903,832</u>		<u>5,493,025</u>
Investment in Vaaldiam Resources Ltd. (Note 4)	338,449		85,500
Mineral properties (Note 5)	18,780,515		18,241,796
Capital assets (Note 6)	3,537,119		5,270,869
Intangible assets	1,488,093		1,615,644
Goodwill	2,660,153		2,660,154
Other long term asset	-		15,000
	<u>\$ 31,708,161</u>	<u>\$</u>	<u>33,381,988</u>
	<u>LIABILITIES</u>		
Current Liabilities			
Accounts payable	\$ 1,832,854	\$	2,513,722
Demand loan (Note 7)	1,152,434		1,313,669
Corporate taxes payable	60,921		86,974
Current portion of long-term debt (Note 8)	1,450,454		6,135,011
	<u>4,496,663</u>		<u>10,049,376</u>
Long term debt (Note 8)	-		837,659
Deferred gain on sale of building (Note 6)	188,129		-
Future income taxes (Note 12)	1,278,297		1,044,910
	<u>5,963,089</u>		<u>11,931,945</u>
	<u>SHAREHOLDERS' EQUITY</u>		
Share capital (Note 9)	45,693,311		39,243,321
Contributed surplus (Note 9)	3,430,295		3,172,590
Cumulative other comprehensive loss	(2,600,459)		(3,225,451)
Deficit	(20,778,075)		(17,740,417)
	<u>25,745,072</u>		<u>21,450,043</u>
	<u>\$ 31,708,161</u>	<u>\$</u>	<u>33,381,988</u>

Commitments & Contingency (Notes 14 & 18)
Nature of Operations and Going Concern (Note 1)

Approved by the Board

"Ian McNaughton"

"Jim Engdahl"

GREAT WESTERN MINERALS GROUP LTD.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009

(Canadian dollars)

	<u>For the three months</u> <u>ended September 30</u>		<u>For the nine months</u> <u>ended September 30</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Sales	\$ 3,031,012	\$ 4,126,087	\$ 8,897,572	\$ 4,374,215
Cost of Sales	2,347,194	3,298,212	6,606,230	3,604,422
Gross Margin	683,818	827,875	2,291,342	769,793
Expenses				
General and administration	285,248	686,243	848,732	1,331,774
Wages and benefits	627,941	630,936	1,675,425	1,412,147
Stock based incentives	194,706	-	194,706	32,680
Property research	-	1,410	10,660	95,257
Professional fees	25,735	40,939	282,922	136,922
Investor relations	53,743	86,477	109,660	304,176
Other direct overhead	288,745	-	791,091	-
	1,476,118	1,446,005	3,913,196	3,312,956
Loss before interest, taxes and depreciation	(792,300)	(618,130)	(1,621,854)	(2,543,163)
Depreciation	252,435	226,149	782,094	333,281
Interest expense	422,304	246,293	1,057,537	275,614
Interest income	(101,214)	-	(306,864)	-
Other income	-	-	(99,413)	-
Exchange (gain) Loss	(497,389)	(418,674)	120,130	(408,743)
Loss before undernoted items	(868,436)	(671,898)	(3,175,338)	(2,743,315)
(Loss) gain on disposal of assets	(193,406)	-	181,261	-
Loss before income taxes	(1,061,842)	(671,898)	(2,994,077)	(2,743,315)
Income tax expense (recovery)	(33,151)	(91,645)	(43,581)	(91,645)
Future income tax recovery	-	(153,244)	-	(1,196,816)
Net loss	(1,094,993)	(427,009)	(3,037,658)	(1,454,854)
Deficit, beginning of period	(19,683,082)	(13,619,718)	(17,740,417)	(12,591,873)
Deficit, end of period	\$ (20,778,075)	\$ (14,046,727)	\$ (20,778,075)	\$ (14,046,727)
Basic loss per share	\$ (0.007)	\$ (0.004)	\$ (0.020)	\$ (0.013)
Diluted loss per share	\$ (0.007)	\$ (0.004)	\$ (0.020)	\$ (0.013)
Weighted average number of shares outstanding	189,412,578	165,061,150	169,363,994	165,061,150

GREAT WESTERN MINERALS GROUP LTD.

CONSOLIDATED STATEMENT OF CUMULATIVE OTHER COMPREHENSIVE LOSS
(unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(Canadian dollars)

	<u>2009</u>	<u>2008</u>
Cumulative other comprehensive loss, beginning of year	\$ (3,225,451)	\$ (1,462,180)
Other comprehensive loss		
Unrealized gain (loss) on available for sale investments	106,875	(1,833,500)
Translation adjustment	<u>518,117</u>	<u>(18,585)</u>
Cumulative other comprehensive loss, end of period	<u>\$ (2,600,459)</u>	<u>\$ (3,314,265)</u>

GREAT WESTERN MINERALS GROUP LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009

(Canadian dollars)

	<u>For the three months</u>		<u>For the nine months</u>	
	<u>ended September 30</u>		<u>ended September 30</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities				
Net loss	\$ (1,094,993)	\$ (427,009)	\$ (3,037,658)	\$ (1,454,854)
Items not affecting cash				
Depreciation & Amortization	252,433	226,149	782,091	333,281
Future income tax recovery		(153,244)		(1,196,816)
Stock based incentives	194,706		194,706	32,680
Loss (Gain) on disposal of capital asset	193,406		(181,261)	
Interest on conv debenture paid with shares	17,103		17,103	
Foreign exchange (gain) on debenture paid with shares	(419,081)		(419,081)	
Net changes in non-cash working capital items related to operations:	(688,257)	(1,109,453)	86,474	(551,445)
	<u>(1,544,683)</u>	<u>(1,463,557)</u>	<u>(2,557,626)</u>	<u>(2,837,154)</u>
Cash flows from investing activities				
Additions to mineral properties	(391,975)	(1,729,766)	(530,219)	(5,357,671)
Purchase of capital assets	(6,555)	(801)	(13,629)	(3,734,234)
Sale of capital assets	(5,277)		1,288,023	
Change in Goodwill/Intangibles				(3,753,245)
	<u>(403,807)</u>	<u>(1,730,567)</u>	<u>744,176</u>	<u>(12,845,150)</u>
Cash flows from financing activities				
Issuance of share capital	2,293,334	2,916,130	2,697,759	2,916,130
Share issue costs	(167,958)	(411,821)	(172,819)	(508,313)
Proceeds of issuance of long-term debt	816,667		816,667	7,004,253
Repayment of debt	(222,054)	(575,336)	(1,003,277)	(186,947)
	<u>2,719,989</u>	<u>1,928,973</u>	<u>2,338,330</u>	<u>9,225,123</u>
Net increase in cash during the period	771,499	(1,265,151)	524,881	(6,457,181)
Cash beginning of period	400,323	1,813,965	646,941	7,005,995
Cash, end of period (Note 10)	\$ 1,171,822	\$ 548,814	\$ 1,171,822	\$ 548,814

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

September 30, 2009
(Canadian dollars)

1. Nature of operations and going concern

Great Western Minerals Group Ltd. (the "Company") was incorporated under the Business Corporations Act of British Columbia on September 30, 1983. Effective December 12, 2007, the Company's jurisdiction was continued out of British Columbia into the federal jurisdiction. The Company is in the development stage with respect to its interests in mineral properties. Its wholly-owned subsidiary, Great Western Technologies Inc. ("GWTI"), is a manufacturer and producer of specialty alloys, powders and related value added products used in the aerospace, automobile, industrial, computer and high-tech industries. The Company's wholly-owned subsidiary, GWUS Inc., holds the interest in the Deep Sands property acquired in the third quarter of 2007. On June 27, 2008, the Company purchased all of the issued and outstanding shares of Less Common Metals Ltd. ("LCM") of Birkenhead, United Kingdom ("UK") through a newly created wholly-owned subsidiary, LCMG Ltd. ("LCMG") of Birkenhead, UK. LCM is a leading global manufacturer and supplier of rare earth based alloys, high purity metals, and ultra-high purity indium.

These financial statements have been prepared on the basis of generally accepted accounting principles as applicable to a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. For the quarter ended September 30, 2009, the Company reported an after-tax loss of \$1,094,993, an accumulated deficit of \$20,778,075 and working capital of \$407,169. As at quarter end, the Company has not generated positive cash flow from operations.

The Company has incurred significant operating losses in its exploration and manufacturing operations and its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete their development and fund their operations until commercially successful, and future production or proceeds from the disposition thereof. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. While the Company has been successful in raising financing to date, there can be no assurances that it will be able to do so in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material

2. Significant Accounting Policies

a) Basis of Presentation:

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) using standards for interim financial statements and do not contain all of the information required for annual financial statements. These statements follow the same accounting policies and methods of application of the most recent annual audited financial statements.

Accordingly, they should be read in conjunction with the most recent annual audited financial statements of the Company. In the opinion of management, all of the adjustments necessary to fairly present the interim consolidated financial statements have been made.

b) Adoption of new accounting standards

Section 3064, *Goodwill and Intangible Assets*:

Effective January 1, 2009, the Company prospectively adopted CICA Handbook Section 3064 *Goodwill and Intangible Assets* ("Section 3064"). This new accounting standard replaces Section 3062 *Goodwill and Other*

GREAT WESTERN MINERALS GROUP LTD.

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(unaudited)

September 30, 2009
(Canadian dollars)

Intangible Assets and Section 3450 *Research and Development Costs*. This new accounting standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. The adoption of this new section did not have a significant impact on the Company's financial statements.

EIC-173 Credit risk and the fair value of financial assets and financial liabilities:

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173- *Credit risk and the fair value of financial assets and financial liabilities*. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company adopted EIC-173 on January 1, 2009, and the adoption of this new section did not have a significant impact on the Company's financial statements.

EIC-174 Mining exploration costs:

In March 2009, the CICA issued EIC-174, *Mining exploration costs*. The EIC provides guidance on the accounting and the impairment review of exploration costs. This EIC applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Adoption of this EIC did not have any effect on the Company's financial statements.

c) Future accounting pronouncements:

International financial reporting standards

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. The Company's first financial statements presented in accordance with IFRS will therefore be the year ended December 31, 2011. Though IFRS uses a conceptual framework similar to Canadian GAAP, there are some significant differences on recognition, measurement and disclosure requirements. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating some of the impact of adopting IFRS at the changeover date. The International Accounting Standard Board ("IASB") will, however, also continue to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's financial statements will only be measurable once all IFRS applicable at the conversion date are known. As a result of this convergence, the Company has developed a plan to convert its financial statements to IFRS. Management has not yet completed its quantification of the effects of adopting IFRS. The financial performance and financial position as presented in the Company's Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

Business Combinations (Section 1582), Consolidated Financial Statements (Section 1601), and Non-controlling Interests (Section 1602):

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations ("Section 1582"), 1601, Consolidated Financial Statements, ("Section 1601") and 1602, Non-Controlling Interests, ("Section 1602") which replace CICA Handbook Sections 1581, Business Combinations and 1600, Consolidated Financial Statements. Section 1582 establishes standards for accounting for business combinations that is equivalent to the business combination accounting standard under IFRS and will be applicable to business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements, and will be applicable to the Company's interim and annual consolidated financial statements for the fiscal year beginning January 1, 2011. Early adoption of this section is permitted. If the Company chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time. The company is evaluating the impact of the adoption of these sections on its consolidated financial statements.

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

September 30, 2009
(Canadian dollars)

3. Investment in LCM and LCMG Ltd.

On June 27, 2008, the Company, through a newly incorporated wholly owned United Kingdom subsidiary (LCMG Limited) acquired all of the issued and outstanding shares of common stock of Less Common Metals Ltd. ("LCM"), a corporation domiciled in Birkenhead, United Kingdom (the "LCM Shares"). The purchase price of \$9,660,433 was funded as follows:

- (i) \$3,882,214 in cash of which £1,500,000 (\$3,041,400) was funded with a loan secured against the assets of LCM. LCM then lent the money to LCMG who used it to pay the vendors a portion of the purchase price. See notes 7 and 8 for further details on the loan.
- (ii) The Company issued a £2,800,000 (\$5,677,280) convertible debenture (the "Convertible Debenture") which included a \$608,280 completion fee and 750,000 common share purchase warrants (the "Warrants") valued at \$100,939 to the Vendors.

As part of the acquisition of the LCM Shares, the Company entered into a series of commitments as described in note 14. The acquisition was accounted for using the purchase method and the following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. As at June 27, 2008

Current Assets	\$7,378,354
Property, plant and equipment	3,194,155
Intangible assets	1,700,678
Goodwill	<u>3,160,154</u>
Total assets acquired	15,433,341
Current liabilities	4,610,846
Future income tax liability	<u>1,162,062</u>
Net Assets Acquired	<u>\$9,660,433</u>

4. Investment in Vaaldiam Resources Ltd.

The Company owns 7,521,092 common shares of Vaaldiam Resources Ltd. ("Vaaldiam"). The Company does not have significant influence over Vaaldiam and as such accounted for the investment using the cost method, with it being classified as an available-for-sale investment. Vaaldiam is publicly traded on the TSX Venture Exchange ("TSX V"). The market value of the Company's common share interest in Vaaldiam at September 30, 2009 is \$338,449 (December 31, 2008 - \$85,500).

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

September 30, 2009
(Canadian dollars)

5. Mineral properties:

	Douglas River	Hoidas Lake	Knee Lake	Deep Sands	Rareco	Benjamin River	Total
Balance, 2008	\$17,375	\$11,426,273	\$10,600	\$6,644,228	\$99,634	\$43,686	\$ 18,241,796
Expenditures during the year							
Acquisition	9,660				73,350	10,707	\$ 93,717
Assays/Metallurgy		48,239		13,445			\$ 61,684
Camp Operations		1,028		155,512			\$ 156,540
Drilling				-15,436			\$ -15,436
GeoChem		9,177		614			\$ 9,791
Labor	852	24,334		9,165	7,277	26,163	\$ 67,791
Management Fees	10,140	11,100		20,700		12,739	\$ 54,679
Pre-Feasibility		33,825					\$ 33,825
Survey/Mapping	41,002	8,591		663			\$ 50,256
Travel		23,315		2,557			\$ 25,872
Balance Sept 30, 2009	\$79,029	\$11,585,882	\$10,600	\$6,831,448	\$180,261	\$93,295	\$ 18,780,515

	C.B. Project	Chuck- walla	Copper Hill	Crescent	Douglas River	Hoidas Lake	Knee Lake	Deep Sands	Rareco	Benjamin River	Total
Balance, 2007	\$7,112	\$642,729	\$697,787	\$ 92,241	\$6,676	\$7,253,884	\$10,600	\$5,192,369	\$ -	\$ -	\$ 13,903,398
Expenditures during the year											
Acquisition	894	24,030	88,136	7,516	9,708			35,424	62,750	29,160	\$ 257,618
Assays/Metallurgy						281,136		137,249			\$ 418,385
Camp Operations						505,637		90,065			\$ 595,702
Drilling						1,981,766		409,001			\$ 2,390,767
Environmental						68,839					\$ 68,839
Feasibility						453					\$ 453
Field Supplies								64,556			\$ 64,556
Freight						206,353		1,462			\$ 207,815
GeoChem			1,063			76,919		82,337			\$ 160,319
Geophysics						3,524					\$ 3,524
Labor		166	356		391	332,814		292,348	10,615	3,831	\$ 640,521
Management Fees		1,800	300	300	600	94,856		150,476	1,200	10,695	\$ 260,227
Permit Reporting						298		5,065			\$ 5,363
Pre-Feasibility						415,159					\$ 415,159
Surveys/Mapping						4,945		89,099			\$ 94,044
Transportation						190,112					\$ 190,112
Travel	24	2,651	316			9,578		94,777	25,069		\$ 132,415
Loss on Abandonment	(8,030)	(671,376)	(787,958)	(100,057)							\$ (1,567,421)
Balance Dec 31, 2008	\$ -	\$ -	\$ -	\$ -	\$17,375	\$11,426,273	\$10,600	\$6,644,228	\$99,634	\$43,686	\$ 18,241,796

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

September 30, 2009
(Canadian dollars)

Hoidas Lake

The Company holds a 100% interest in the Hoidas Lake rare earth property. The property consists of 14 claims totaling 12,522ha. The property is subject to a 1.8% net smelter returns royalty to a maximum of \$1,000,000.

Deep Sands Project

The Company holds a 25% interest in rare earth elements (“REE”) contained in a heavy mineral sands project in Utah acquired for total consideration of US \$4.3 million. The Company also committed to undertake a work program at the property. The term of the agreement shall be for a period of twelve months from the later of the date of closing or the date that the Company is legally permitted to commence drilling and evaluation activities at the property with requisite permits and bonding in place, which term may be extended by mutual agreement of the parties. The term of this agreement will automatically be extended an additional three months in the event that the Company elects to negotiate a participation agreement with the Vendor.

The Company agreed to perform the following work program during the term of the agreement:

- a) Drill 66 holes to a minimum depth of fifty feet. In addition, at ten of these drill holes, drilling will continue to bedrock;
- b) Carry out sampling and analysis at appropriate intervals and complete assays on all minerals and elements of interest to both parties as mutually agreed;
- c) Perform resource modeling and Resource/Reserve Estimation (NI43-101 Compliant); and
- d) Reimburse the vendor for expenses related to maintaining the property claims and leases current and in good standing during the term of the agreement.

The vendor holds the remaining 75% interest in the rare earth minerals contained in the Property, and has exclusive rights to deal with 100% of the non-rare earth-bearing minerals. Following the completion of the drilling and evaluation program, the Company will negotiate with the Vendor either the acquisition of the remaining 75% of Rare Earth Elements or a participation in a joint venture. In the event that the Company and the vendor cannot agree to a mutually agreeable participation agreement regarding the commercial exploitation of Rare Earth Minerals, each company has a right of first refusal to match any bona fide offer the other receives from a third party. In the event that the Company does not exercise its right of first refusal and a third party commences mining of any mineral at the property or if the Vendor sells its interest in the party, the Vendor or such third party will be required to pay the Company an amount equal to two times all documented expenses the Company has incurred under the agreement in connection with the work program.

The parties are currently reviewing the 2008 drilling program results to determine the appropriate program for 2010. It is anticipated that the process to gain sufficient data to complete a 43-101 compliant resource estimate, suitable for a Preliminary Economic Assessment Report and move toward a feasibility study will require three phases of drilling, permitting and extensive metallurgical testing requiring two to four years to complete.

Copper Hill

On September 1, 2005, the Company entered into an Option Agreement to acquire 12 claims at the Copper Hill property located in Clark County, Nevada. Under the terms of the Option Agreement, the Company paid US\$35,000 and issued 100,000 common shares upon execution of this agreement. The Company also paid to the optionor US\$50,000 on the first anniversary of the date of the agreement, US\$100,000 on the second anniversary and was scheduled to pay US\$250,000 by the third anniversary. The Company issued to the optionor 150,000 common shares on January 1, 2007, and 200,000 common shares on January 1, 2008, and was scheduled to issue 250,000 common shares by January 1, 2009 and 500,000 common shares upon the completion of a positive feasibility study. On December 31, 2008, management decided to abandon the

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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September 30, 2009
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5. Mineral properties (continued)

Copper Hill Option Agreement which resulted in the total write off of acquisition costs and exploration costs incurred to December 31, 2008 on the property. Since management decided to let this option agreement lapse, the September 1, 2008 scheduled payment of US\$250,000 was not made.

C.B Project

During the year, the Company held a 100% interest in 32 claims in California. On December 31, 2008, management decided to abandon its mineral claims on the C.B. Project which resulted in the total write off of acquisition costs and exploration costs incurred to December 31, 2008 on the property.

Chuckwalla

In 2005, the Company signed a formal Option Agreement to replace the original Memorandum of Understanding signed in 2002. Under the terms of the Option Agreement, the Company could earn its 100% interest by making a cash payment to the optionor of US\$25,000 and then making annual payments totaling the greater of 3% Net Production Royalty or US\$100,000. The Company has issued the optionor a total of 250,000 common shares of the Company. Upon completion of a feasibility study and a positive production decision, the Company was scheduled to issue 500,000 common shares to the optionor. On December 31, 2008, management decided to abandon the Chuckwalla Option Agreement which resulted in the total write off of acquisition costs and exploration costs incurred to December 31, 2008 on the property. Since management decided to let this option agreement lapse, the annual payment of US\$100,000 was not made.

Crescent Project

During the year, the Company held a 100% interest in 56 mineral claims located Curry County, Oregon. On December 31, 2008, management decided to abandon its mineral claims on the Crescent Project which resulted in the total write off of acquisition costs and exploration costs incurred to December 31, 2008 on the property.

Douglas River

The Company owns 100% interests in two mineral dispositions in the Douglas River area of Saskatchewan which it acquired by staking. The property covers areas of significant yttrium and heavy rare earth mineralization.

Knee Lake

The Company acquired the Knee Lake project, a northern Saskatchewan property, in the third quarter of 2007 as a potential source of high purity calcium carbonate. High purity calcium carbonate (calcite) is required for many uranium and rare earth element metallurgical processes. The property acquired both mining and quarrying leases over the calcium carbonate body.

Benjamin River

The Company entered into an option agreement with a third party to acquire a 100% working interest in a Rare Earth Elements property (the "Benjamin River Property") in the Province of New Brunswick, approximately 53 km east-northeast of the city of Bathurst. The Benjamin River Property covers 55 claims totaling 880 hectares (ha) and hosts an apatite-diopside-magnetite vein that has been traced on surface for 800 metres along strike, with an apparent width of up to 50 metres. As part of the agreement, GWMG has staked an additional 436 claims (approximately 9500 ha). Under the terms of the agreement, GWMG paid to the vendor \$5,000 plus 100,000 shares of GWMG in January 2009; \$10,000 plus 50,000 shares on the first anniversary, \$30,000 on the second anniversary; \$50,000 on the third anniversary; \$100,000 on the fourth anniversary, with a final payment of \$300,000 on the fifth anniversary date. Upon completion of the prescribed payments, GWMG will own 100% of the property, subject to a 2% NSR payable to the vendor.

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(Canadian dollars)

5. Mineral properties (continued)

Rareco Project

On December 22nd, 2008, the Company entered into an Option Agreement with Rare Earth Extraction Co. Ltd. ("Rareco") of Stellenbosch, South Africa, to refurbish, re-commission, and operate the currently abandoned Steenkampskraal underground mine in the Western Cape, South Africa. In addition, GWMG can acquire exclusive access to 100% of the rare earth elements mined there.

Under the terms of the agreement, GWMG has agreed to pay Rareco an amount of ZAR 1 Million (approximately C\$125,000) for this option, payable in two tranches. The first payment of ZAR 500,000 was paid on signing the agreement. The second payment of ZAR 500,000 was made during the quarter. The application for conversion of its current Old Order Mining Right to a new mining license was receipted by the South African Department of Mineral and Energy Affairs on April 28, 2009; Subject to approval by GWMG of the updated capital and operating cost budget, the confirmation of acceptance, and other due diligence information to be provided by Rareco, GWMG and Rareco will negotiate a Supply Agreement under which 100% of the rare earth ore mined and processed will be made available, by Rareco, to GWMG, for a ten-year period, after which a new Supply Agreement can be negotiated.

6. Capital assets

	2009		2008	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ -	\$ -	\$ -	\$ 935,193
Computer equipment	163,049	109,963	53,086	68,013
Furniture	55,989	26,766	29,223	37,253
Motor vehicles	37,201	34,038	3,163	7,187
Plant equipment	6,728,747	3,555,537	3,173,210	3,911,485
Leasehold improvements	461,622	183,185	278,437	311,738
	\$ 7,446,608	\$ 3,909,489	\$ 3,537,119	\$ 5,270,869

On June 1, 2009, the Company sold its head office building and leased it back for a five year term. According to EIC-25, the Company has deferred a gain on the sale of \$188,129 which will be amortized over the remaining life of the lease.

7. Demand loan

LCM has \$1,152,434 outstanding on an operating line of credit which is composed of two separate facilities. The first facility is a receivables finance facility whereby approximately 30% of approved receivables are advanced to LCM. The value of the loan fluctuates monthly depending on the balance of accounts receivable. There are no principal repayments and the monthly interest payments are based on the UK Base Rate plus 2.5%. The facility service fee is £2,000 per month payable in advance.

The second facility is a revolving inventory facility whereby funds are advanced against eligible inventory calculated monthly. The value of the loan is approximately 30% of the total inventory of LCM and it fluctuates monthly. There are no principal repayments and the monthly interest payments are based on the UK Base Rate plus 2.5%. The facility service fee is £10,000 per annum payable quarterly in advance.

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8. Long-term debt

	<u>2009</u>	<u>2008</u>
Canadian Western Bank loan, matures July 1 2012, secured by a first mortgage in related land and building, bears interest at 6.36% per annum, paid in monthly installments of \$3,298 principal and interest	\$ -	\$ 433,416
Convertible debenture, due May 2012, secured by a second collateral mortgage in related land and building, bears interest at 8.00% per annum, paid semi-annually and \$60,000 principal paid annually.	-	300,000
Convertible debenture, due June 27, 2010, secured by Vaaldiam Shares and GWTI shares held in trust at Computershare, bears interest at 10% paid quarterly with principal of £2,500,000 plus a completion fee of £300,000 due at the end of the term of the debenture	-	5,010,880
Convertible debenture (Pope & Co), matures May 25, 2010; no cash interest component	816,667	-
Venture Structured Finance cash flow loan ; due June 27, 2010; bears interest at the UK Base rate plus 3.5%; paid in monthly installments of £21,000 (\$36,032) principal plus interest	318,725	672,868
Venture Structured Finance plant & machinery loan; due June 27, 2010; secured by plant and machinery of LCM; bears interest at the UK Base rate plus 2.75%; paid in monthly installments of £22,000 (\$37,748) principal plus interest for the second year	315,062	555,506
	<u>1,450,454</u>	<u>6,972,670</u>
Less current portion	1,450,454	6,135,011
	<u>\$ -</u>	<u>\$ 837,659</u>

On May 31, 2007, GWMG purchased the office building it occupies from its landlord. The purchase price of \$800,000 was financed with a first mortgage to Canadian Western Bank and a convertible debenture to the property seller. The Company sold the building on June 1, 2009 and the mortgage and debenture were repaid in full.

On June 27, 2008, GWMG purchased the common shares of LCM as described in Note 3. A portion of the purchase price (£2,500,000 - \$4,780,500) was funded by GWMG issuing a convertible debenture to the vendors. GWMG also granted the vendors a £300,000 (\$540,660) completion fee payable at the end of the term. On September 10, 2009, the Company consented to the sale to third party purchasers of its existing secured convertible debentures having an aggregate principal amount of £2,500,000, plus an accrued and unpaid £300,000 completion fee plus accrued interest. Furthermore, the Company consented to allow for the immediate conversion of the entire principal amount, accrued and unpaid completion fee and outstanding interest of the debentures into 20,720,425 common shares in the capital of the Company in accordance with the pricing set forth in the debentures. An advisory fee of C\$346,653 was paid to Pope & Company Limited, which amount was satisfied by the issuance of 1,216,325 Common Shares.

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8. Long-term debt (continued):

The remaining portion of the purchase price of LCM was funded by Venture Structured Finance. The first long term loan consists of £500,000 (\$857,900) borrowed against the cash flows of LCM. This loan is due June 27, 2010 and consists of principal payments of £21,000(\$36,032) per month for the first 23 months and a 24th month principal payment of £17,000 (\$29,169). The loan bears interest at the UK Base Rate plus 3.5%. Interest is payable monthly. The second long term loan consists of £375,000 (\$643,425) borrowed against the plant and machinery of LCM. This loan is due June 27, 2010 and consists of principal payments of £11,000 (\$18,874) per month for the first 12 months, £22,000 (\$37,748) per month for the next 11 months and a 24th month principal payment of £1,000 (\$1,716). The loan bears interest at the UK Base Rate plus 2.75%. Interest is payable monthly.

On August 25, 2009, the Company closed a private placement of USD\$760,235 (approximately C\$816,667) ("Face Amount") of secured convertible debentures of the Company. The debentures were sold at a price of approximately C\$857 per C\$1000 of the Face Amount of each debenture raising aggregate proceeds of approximately USD\$651,630 (C\$700,000). The debentures mature on May 25, 2010, and the face amount of the debentures is convertible into common shares in the capital of the Company at a price of C\$0.20 per Common Share in whole or in part at the option of the holder at any time while the Debentures are outstanding. The Company has the ability to repay the debentures without penalty at anytime and the debentures have no cash interest component. In addition, an aggregate of 560,000 Common Shares were issued to the subscribers as a commitment fee. A cash finder's fee of C\$35,000 was paid to Pope & Company Ltd. In addition, Pope & Company received an aggregate of 200,000 broker warrants, with each such broker warrant entitling Pope & Company to purchase one Common Share at a price of C\$0.175 for a period of 24 months from the closing date of this transaction.

9. Share capital

Authorized unlimited common shares, without par value Issued

	Common Shares	Share Capital
Balance, December 31, 2007	112,110,293	\$ 36,905,871
Issued for mineral properties	200,000	65,000
Private placements	30,887,864	3,858,903
Exercise of warrants	2,613,200	718,630
Renunciation of Canadian exploration expenses	-	(1,161,000)
Cash issue costs	-	(991,341)
Non-cash issue costs	-	(152,742)
Balance, December 31, 2008	145,811,357	39,243,321
Issued for mineral properties	100,000	8,500
Private placements	1,595,443	143,590
Conversion of debenture	22,496,750	5,396,834
Exercise of warrants	22,372,666	2,554,168
Renunciation of Canadian exploration expenses	-	(972,630)
Cash issue costs	-	(172,819)
Non-cash issue costs	-	(507,653)
Balance September 30, 2009	192,376,216	\$ 45,693,311

During January 2008, the Company issued 200,000 common shares at a deemed price of \$0.32 per share as part of the Copper Hill Option Agreement.

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9. Share capital (continued)

During August 2008, existing holders of common share purchase warrants, exercised 2,613,200 warrants at a price of \$0.275 per warrant for aggregate proceeds of \$718,630, as part of an early warrant exercise program offered to warrant holders. Exercising warrant holders received one common share in the capital of the company and one half of one common share purchase warrant exercisable for \$0.35, for each warrant exercised pursuant to the program.

During September 2008, the Company issued 8,790,000 flow-through units at \$0.25 per share for gross proceeds of \$2,197,500. No warrants were attached. As part of this private placement the Company issued 172,471 shares at \$0.25 per share as compensation to Agent's involved in the transaction.

During October 2008, the Company issued 7,831,445 flow-through units at \$0.09 per share for gross proceeds of \$704,830. No warrants were attached. The Company also issued 920,656 non flow-through units at \$0.09 per share for gross proceeds of \$82,859. Each unit consists of one share and one half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one share at an exercise price of \$0.20 for a two-year period from the closing date.

During November 2008, the Company issued 1,339,961 non flow-through shares at \$0.09 per share in exchange for \$120,596.54 of debt being settled.

During December 2008, the Company issued 11,666,665 flow-through units at \$0.06 per share for gross proceeds of \$700,000. Each unit consists of one share and one half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one share at an exercise price of \$0.20 for a two-year period from the closing date. As part of this private placement the Company issued 166,666 shares as compensation to Agent's involved in the transaction. The Company also issued 666,666 broker options at an exercise price of \$0.06 for a two year period from the closing date.

During January 2009, the Company issued 100,000 common shares at a deemed price of \$0.085 per share as part of the Benjamin River option agreement.

During March 2009, the Company issued 1,595,443 non-flow through units at \$0.09 per unit for gross proceeds of \$143,590. Each unit consists of one share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire on share at an exercise price of \$0.15 for a two year period from the closing date.

During June 2009, the Company exchanged 2,191,666 warrants for gross proceeds of \$260,833.

During the quarter, the Company exchanged 19,424,334 warrants for gross proceeds of \$2,235,335 and 756,666 broker warrants for gross proceeds of \$58,000.

During the quarter, the Company issued 20,720,425 shares in relation to the conversion of the LCM convertible debenture. The Company issued 1,776,325 common shares to settle debt of \$444,653.

Share option plan

The Company has established a share option plan under which options may be granted to directors, officers and members of the technical advisory committee. Options granted have an exercise price of not less than the market price of the common shares on the stock exchange on which the shares are traded and are exercisable into one common share.

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9. Share capital (continued)

Options outstanding as of September 30, 2009 are as follows:

<u>Expiry Date</u>	<u>Price</u>	<u>Outstanding 2008</u>	<u>Granted</u>	<u>Exercised</u>	<u>Relinquished / Lapsed</u>	<u>Outstanding 2009</u>
April 1, 2009	0.23	1,100,000			1,100,000	-
May 5, 2010	0.42	750,000				750,000
June 29, 2010	0.44	375,000				375,000
December 16, 2010	0.42	250,000				250,000
April 18, 2011	0.45	950,000			350,000	600,000
September 20, 2011	0.44	685,000			435,000	250,000
August 3, 2012	0.40	1,710,000			485,000	1,225,000
October 5, 2012	0.40	1,650,000			200,000	1,450,000
December 4, 2012	0.40	200,000				200,000
April 2, 2013	0.30	350,000			100,000	250,000
October 31, 2013	0.20	3,675,000			300,000	3,375,000
July 27, 2014	0.18		1,200,000			1,200,000
		<u>11,695,000</u>	<u>1,200,000</u>		<u>2,970,000</u>	<u>9,925,000</u>

For options outstanding at September 30, 2009 and December 31, 2008, weighted average exercise prices are as follows:

	<u>2009 Options</u>	<u>2009 Average Price</u>	<u>2008 Options</u>	<u>2008 Average Price</u>
Beginning of year	11,695,000	\$ 0.36	8,595,000	\$ 0.39
Options granted	1,200,000	0.18	4,075,000	.21
Options exercised				-
Options lapsed	(2,970,000)	0.36	(975,000)	.39
	<u>9,925,000</u>	<u>\$ 0.35</u>	<u>11,695,000</u>	<u>\$ 0.36</u>

<u>Options Price Per Share</u>	<u>Number</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life</u>
0.18	1,200,000	\$ 0.18	4.83
0.20	3,375,000	0.20	4.08
0.30	250,000	0.30	3.50
0.40	2,875,000	0.40	2.95
0.42	1,000,000	0.42	0.75
0.44	625,000	0.44	1.24
0.45	600,000	0.45	1.55
	<u>9,925,000</u>	<u>\$ 0.35</u>	<u>2.77</u>

The fair value of stock options issued in the year is estimated using the Black-Scholes option pricing model, with assumptions being made for each of the following variables: risk-free rate, volatility factor, dividend yield, weighted-average expected option life and expected forfeiture rate.

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9. Share capital (continued)

Warrants

On certain issues of common shares, the Company has attached warrants entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	<u>Warrants</u>	<u>Average</u> <u>Price</u>
Balance, December 31, 2007	39,292,551	\$ 0.57
Granted	8,350,258	0.25
Exercised	(2,613,200)	0.28
Expired	<u>(6,435,378)</u>	<u>0.66</u>
Balance, December 31, 2008	38,594,231	0.52
Granted **	1,595,445	0.15
Exercised	(21,616,000)	0.12
Expired	<u>(2,732,475)</u>	<u>0.53</u>
Balance, September 30, 2009	<u>15,841,201</u>	<u>\$ 0.19</u>

** On June 23, 2009, the Company reissued 35,400,603 warrants with TSXV Exchange approval for \$0.10 and \$0.15

Broker warrants

On certain issuances of common shares, the Company granted either broker unit warrants or broker warrants as partial consideration to the agent for services associated to such share issues.

A summary of the outstanding broker warrants is as follows:

	<u>Warrants</u>	<u>Average</u> <u>Price</u>	<u>Fair</u> <u>Value</u>
Balance, December 31, 2007	4,489,535	\$ 0.48	\$ 508,640
Granted	1,631,965	0.21	99,624
Exercised			
Expired	<u>(438,160)</u>	<u>0.69</u>	
Balance, December 31, 2008	5,683,340	0.44	608,264
Granted	533,333	0.19	91,033
Exercised	(756,666)	0.10	(28,032)
Expired	<u>(4,051,375)</u>	<u>0.48</u>	
Balance, September 30, 2009	<u>1,408,632</u>	<u>\$ 0.20</u>	<u>\$ 671,265</u>

Contributed surplus

The fair value of certain stock options, warrants and broker warrants have been valued using the Black-Scholes option pricing model. The fair value on the grant of these securities is added to contributed surplus. Upon exercise, the corresponding amount of contributed surplus related to the security is removed from contributed surplus and added to share capital.

On July 27, 2009, the Company granted 1,200,000 stock options to employees and consultants. The strike price for the options issued was \$0.18 exercisable for a period of 5 years. The value of the options calculated using the Black-Scholes option pricing model described above was \$170,732.99 and was expensed with a corresponding increase to contributed surplus. Assumptions used in the pricing model were: risk free rate of 0.56%, an expected life of the options of three years, an annualized volatility rate of 187% and a dividend rate of nil.

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9. Share capital (continued)

On September 2, 2009, the Company granted 150,000 stock options to a consultant. The strike price for the options issued was \$0.235 with an October 5, 2010 expiry date. The value of the options calculated using the Black-Scholes option pricing model described above was \$23,973.28 and was expensed with a corresponding increase to contributed surplus. Assumptions used in the pricing model were: risk free rate of 0.56%, an expected life of the options of 1.08 years, an annualized volatility rate of 191% and a dividend rate of nil.

On August 24, 2009 the Company granted 250,000 broker warrants. The strike price for the warrants issued was \$0.20 exercisable for a period of 1.25 years. The value of the warrants calculated using the Black-Scholes warrant pricing model described above was \$43,233 and was expensed with a corresponding increase to contributed surplus. Assumptions used in the pricing model were: risk free rate of 0.56%, an expected life of the warrants of 1.25 years, an annualized volatility rate of 190% and a dividend rate of nil.

On August 25, 2009, Company granted 200,000 broker warrants. The strike price for the warrants issued was \$0.175 exercisable for a period of 2 years. The value of the warrants calculated using the Black-Scholes warrant pricing model described above was \$33,356 and was expensed with a corresponding increase to contributed surplus. Assumptions used in the pricing model were: risk free rate of 0.56%, an expected life of the warrants of two years, an annualized volatility rate of 190% and a dividend rate of nil.

On August 26, 2009, the Company granted 83,333 broker warrants. The strike price for the warrants issued was \$0.20 exercisable for a period of 1.25 years. The value of the warrants calculated using the Black-Scholes warrant pricing model described above was \$14,443 and was expensed with a corresponding increase to contributed surplus. Assumptions used in the pricing model were: risk free rate of 0.56%, an expected life of the warrants of 1.25 years, an annualized volatility rate of 191% and a dividend rate of nil.

During the third quarter of 2009, the Company converted 756,666 broker warrants that were issued in December 2008. As a result, the Company reversed the associated Black- Scholes expense of \$28,032 with a corresponding decrease to contributed surplus.

A summary of the contributed surplus activity is as follows:

	<u>2009</u>	<u>2008</u>
Balance, December 31, 2008	\$ 3,172,590	\$ 2,757,041
Fair value of options granted	194,704	214,985
Fair value of broker warrants granted	91,033	99,625
Fair value of warrants granted	-	100,939
Adjustment to contributed surplus related to options exercised	-	-
Adjustment to contributed surplus related to broker warrants exercised	(28,032)	-
	<hr/>	<hr/>
Balance, September 30, 2009	<u>\$ 3,430,295</u>	<u>\$ 3,172,590</u>

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10. Note to the statement of cash flows

During the quarter, non-cash financing and investing activities were as follows:

	<u>2009</u>	<u>2008</u>
Common shares issued for Benjamin River acquisition	\$ 8,500	\$ -
Common shares issued for Copper Hill acquisition	-	65,000
Common shares issued for finder's fees on debenture conversion	444,653	-
Common shares issued for interest on LCM debenture	17,103	-
Common shares issued for gain on LCM debenture conversion	(419,081)	-

11. Lease commitments

The Company's subsidiary, GWTI, leases office and warehouse space at two facilities in Troy, Michigan under operating leases, with monthly lease payments totaling approximately US\$12,199, expiring in December 2012. Future minimum lease payments under the above non-cancellable leases are approximately US\$146,390 in 2009. The Company's subsidiary, LCM, leases office and warehouse space in Birkenhead, UK. The buildings were leased in two stages 2,000 sq meters were leased for 25 years from 1997; the further 1,600 sq meters were leased in 2011 for 21 years. Both leases expire on June 20, 2022. Future minimum lease payments under the above non-cancellable leases are approximately £149,712 in 2009-2012. The lease rate will be reviewed and adjusted to market on June 30, 2012. During the quarter, The Company sold and leased back the office building it occupies in Saskatoon. The Company entered into a five year lease with monthly base lease payments of \$10,666. Future minimum lease payments under the above non-cancellable lease are approximately \$128,000 per year.

12. Income taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At December 31, 2008, the Company had non-capital losses for tax purposes of \$7,652,817 which may be carried forward to reduce income for tax purposes in future periods and for which no future tax benefit has been recognized in these financial statements as a result of the valuation allowance. The non-capital loss will begin to expire in 2009.

13. Related party transactions

During the quarter, salaries, management and consulting fees of \$148,670 (2008 - \$253,458) were paid to directors, officers and companies controlled by officers or directors. \$11,400 (2008 - \$44,600) was included in mineral properties, \$375 (2008 - \$4,500) was included in management fees, and \$136,895 (2008 - \$150,644) was included in salaries. During the quarter, \$23,097 was incurred for legal services rendered by a law firm, of which a director of the Company is a partner. These transactions are in the normal course of operations and are measured at the exchange amount and is the amount of consideration established and agreed to by the related parties.

14. Commitments

The Company entered into the following commitments with regard to the purchase of the shares of LCM on June 27, 2008:

The Company signed a guarantee with the HSBC Bank in the UK to secure the soft banking facilities of LCM. The soft facilities include BACS and CHAPS overnight clearing facilities and payroll facilities. The potential liability for overdraft may arise if the overnight clearing facility cleared cheques or transfers up to

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14. Commitments (continued)

the maximum daily limit of the facility and there were no current funds in the account to cover those cheques or transfers. There is no overdraft facility at HSBC. The guarantee is limited to £ 850,000.

The Company signed a side letter arrangement whereby it agreed to not cause LCM or LCMG to pay or transfer cash or cash equivalents from LCM to the Company prior to June 25, 2009. The intent of this side letter was to give assurances to LCM's auditors that were providing an opinion on LCM's ability to repay debts as they became due within the next 12 months from the date of sale.

Venture Structured Finance required the President of LCM, in his capacity as Director of LCM, to sign a personal indemnity guarantee indemnifying Venture Structured Finance for any losses that they may suffer as a result of any fraudulent, deceitful or dishonest act on the President's part. The Company's UK consul has indicated that the indemnity is consistent with current UK common law practices. As a result of the personal indemnity guarantee required by Venture Structure Finance, the Company granted the President of LCM a Warranty and Indemnity holding the President harmless from and against any and all expenses, costs, damages, losses, liabilities and claims against him or incurred by him as a result of or in connection with the personal indemnity signed with Venture Structured Finance, provided that the Company would have no liability where any such expense, loss, liability or claim arises as a result of a any act of fraud, dishonesty, deceit or deception by the President of LCM.

15. Segmented information

The Company has two reportable segments: exploration and manufacturing. The exploration segment involves the exploration and development of strategic metals, including rare earth elements, base metals and precious metals, for future development of mining operations. The manufacturing services segment involves the manufacturing and supply of rare earth based alloys, high purity metals, and ultra-high purity indium.

a) Business segments

For the nine months ended September 30, 2009

	<u>Exploration</u>	<u>Manufacturing Services</u>	<u>Total</u>
Sales	\$ -	\$ 8,897,572	\$ 8,897,572
Cost of Sales	-	6,606,230	6,606,230
Gross margin	-	2,291,342	2,291,342
General and administration	451,470	397,262	848,732
Wages and benefits	736,928	1,133,203	1,870,131
Property research	10,660	-	10,660
Professional fees	264,582	18,340	282,922
Investor relations	109,660	-	109,660
Other direct overhead	65,782	725,309	791,091
	1,639,082	2,274,114	3,913,196
Earnings before interest, taxes, depreciation and other income	(1,639,082)	17,228	(1,621,854)
Depreciation	55,365	726,729	782,094

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Interest expense	577,382	480,155	1,057,537
Interest income	(84,983)	(221,881)	(306,864)
Other income	(99,413)		(99,413)
Exchange (gain)/loss	(103,466)	223,596	120,130
	<hr/>		
Loss before undernoted items	(1,983,967)	(1,191,371)	(3,175,338)
Gain on disposal of assets	181,261	-	181,261
	<hr/>		
Loss before income taxes	(1,802,705)	(1,191,371)	(2,994,076)
Income tax expense	-	(43,582)	(43,582)
Future income tax recovery	-	-	-
Net Loss	\$ (1,802,705)	\$ (1,234,953)	\$ (3,037,658)

b) Geographic segments

	<u>September 30,</u>		<u>September 30,</u>
	<u>2009</u>		<u>2008</u>
Revenue detail			
Canada			
Interest	\$ 84,983	\$	67,400
Rental	99,413		37,503
Service	-		990
United States			
Interest	-		778
Rental	-		-
Service	287,247		482,179
United Kingdom			
Interest	221,881		-
Service	8,610,325		3,785,365
Rental	-		-
	<hr/>		
	9,303,849		4,374,215

	<u>September 30,</u>		<u>December 31,</u>
	<u>2009</u>		<u>2008</u>
Assets			
Canada			
Cash and other equivalents	650,682		474,582
Capital assets	93,825		1,048,725
Mineral properties	11,949,067		11,597,568
Investment in Vaaldiam Resource Ltd	338,449		85,500
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	13,032,023		13,206,375

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United States		
Cash and other equivalents	165,329	138,705
Capital assets	1,205,953	1,472,798
Mineral properties	6,831,448	6,644,228
Future income taxes	-	-
	<u>8,202,730</u>	<u>8,255,731</u>
United Kingdom		
Cash and other equivalents	4,087,821	4,894,739
Capital assets	2,237,341	2,749,346
Goodwill and intangibles	4,148,246	4,275,797
	<u>10,473,408</u>	<u>11,919,882</u>
	<u>\$ 31,708,161</u>	<u>\$ 33,381,988</u>

16. Financial instruments

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables, investment in Vaaldiam, accounts payable and accrued liabilities.

The fair values of cash, amounts receivable, accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. The investment in Vaaldiam is classified as available-for-sale and accounted for at fair value. Unrealized holding gains and losses on this investment are included in other comprehensive income.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

The Company's credit risk is primarily attributable to cash. The Company reduces its credit risk by maintaining its bank accounts at large reputable financial institutions. The maximum exposure to credit risk is equal to the fair value or carry value of the financial assets.

Liquidity Risk

The Company ensures that there are sufficient cash resources in order to meet short-term business requirements. The Company's cash is invested in business accounts which are available on demand.

Market Risk

- a) **Interest Rate Risk** – The Company is exposed to some interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its marketable securities portfolio is relatively unaffected by changes in short-term rates. The Company's future interest income is exposed to short-term rates and fluctuations.
- b) **Foreign Currency Risk** – The Company has foreign currency risk due to fluctuations in foreign currency rates as it has significant transactions in foreign currencies, primarily UK Pound Sterling and US dollars. The Company closely monitors foreign currency balances to minimize the risk of foreign currency losses.

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16. Financial instruments (continued)

- c) Price Risk – The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

17. Capital disclosure

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board of Directors. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid, short-term interest-bearing investments with an initial term to maturity of twelve months or less.

18. Contingent liability

The Company is committed to spending, prior to December 31, 2009, qualifying Canadian exploration expenditures ("CEE") of \$4,732,290. In addition, the Company has provided an indemnification to subscribers of flow-through shares in an amount equal to the income tax that would be payable by subscribers in the event, and as a consequence, of the Company not incurring and renouncing qualifying CEE as required under the subscription agreement. Companies must pay Part XII.6 tax in respect of each month in the year of renunciation equal to the balance of funds in respect of the renunciation that have not been spent on qualifying CEE times the current prescribed interest rate. If funds remain unspent at the end of the year, there is an extra tax levy of 1/10 of the unspent balance. The Company estimates that it will have a Part XII.6 of approximately \$574,000 for 2009.

19. Subsequent events

On November 6, 2009, the Company announced that it closed a private placement for the sale of 8,964,886 Special Warrants for gross proceeds of \$2,510,168.08. Each Special Warrant is exchangeable, for no additional consideration, for one common share in the capital of GWMG and one-half of one Common Share purchase warrant subject to adjustment. If not previously exchanged, the Special Warrants will automatically be exchanged on the earlier of (i) five business days following the receipt being issued in respect of a final prospectus filed in certain Canadian jurisdictions qualifying the securities issuable upon exchange of the Special Warrants; and (ii) four months following the closing date of the Offering. Each Special Warrant is subject to a four month hold period. When issued, each whole Warrant will entitle its holder to purchase one additional Common Share for \$0.50 and will expire on November 6, 2014, subject to acceleration of the exercise period in certain circumstances. If following the closing of the Offering, the Company's daily volume weighted average share price is \$1.00 or more per Common Share for 10 consecutive trading days on the TSX Venture Exchange, or an equivalent stock exchange (the "**Accelerating Event**"), the expiry date of the Warrants will be automatically amended to the date that is 60 days after the Accelerating Event, and if not exercised within such period the Warrants shall be deemed expired. Under the terms of the Offering, the Company will use its reasonable commercial efforts to obtain a final receipts for the Prospectus by December 8, 2009, which will qualify for distribution the Common Shares and Warrants underlying the Special Warrants, and the Common Shares issuable upon exercise of the Warrants and the warrants issued to Pope &

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19. Subsequent events (continued)

Company in connection with the Offering (the "**Broker Warrants**"). In the event that receipts have not been issued by applicable Canadian securities authorities in respect of the Prospectus by December 8, 2009, each Special Warrant will be exchangeable, at no additional cost, into 1.1 Common Shares (instead of one Common Share) and one Warrant in accordance with the terms of the Indenture. The Agents received

aggregate cash commission of \$165,645.77 in connection with the Offering and 591,592 Broker Warrants. Each Broker Warrant will entitle its holder to purchase one Common Share for \$0.28 until November 6, 2011.

On November 9, 2009, the Company announced that, subject to regulatory approval, it has granted to officers, directors, consultants and all employees an aggregate of 7,825,000 options to acquire common shares of the Company. The options are exercisable into common shares at a price of \$0.35 per share for a period of five years from the date of grant.

20. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.