

GREAT WESTERN MINERALS GROUP LTD.
FORM 51-102F1
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Dated: April 6, 2010

OVERVIEW:

Great Western Minerals Group Ltd. is a Canadian-based company with six rare earth exploration and development properties in North America with an option on a sizable additional property in South Africa. In addition, as part of the Company's strategy to pursue a vertically-integrated business model, the Company's wholly-owned subsidiaries of Less Common Metals Limited located in Birkenhead UK, and Great Western Technologies Inc., located in Troy, Michigan, produce a variety of specialty alloys for use in the battery, magnet and aerospace industries. These "designer" alloys include those containing copper, nickel, cobalt and the rare earth elements. Refined rare-earths are high-value products used as catalysts and in high-technology applications that utilize the rare-earths' unique and exceptional magnetic, optical and electronic properties. In particular, they are critical to many alternate 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 rare earths

The following discussion of the financial condition, changes in financial condition and results of operations of the Company for the year ended December 31, 2009 should be read in conjunction with the audited consolidated financial statements of the Company as at December 31, 2009.

Overall Performance:

During the year the working capital improved significantly to \$817,140, compared to a deficit of \$4,556,351 at December 31, 2008. This increase in net working capital of \$5,373,491 is due mainly to the retiring the convertible debenture of \$5,010,880 from the LCM acquisition with the conversion of the debenture into shares of the Company and the issuance of share capital for gross proceeds of \$2,751,758. For the year ended December 31, 2009, the Company recorded a net loss of \$6,954,976 or a \$0.041 loss per share compared to a net loss of \$5,148,544 or \$0.032 loss per share for the year ended December 31, 2008. The main impact on operating results for 2009, compared with the same period in 2008, is the increase in stock based incentives. In 2009 - 8,975,000 options were issued and in 2008 - 4,075,000 were issued. To determine the estimated value of the options a call value was used. The average call price in 2009 was \$0.24 for a total stock based incentive expense of \$2,175,262 compared to \$0.05 in 2008 for a total expense of \$214,984.

Risk Factors

Because of the nature of mineral exploration and development, the securities of the Company must be considered speculative. The following should be considered by prospective investors:

- ***Mineral Exploration and Development***
Mineral exploration and development involve a high degree of risk, and few properties ever advance to commercial production. There is no assurance that even if a body of commercial ore is discovered on the Company's properties ("Properties"), a mine will be brought into commercial production. The feasibility of developing a mineral deposit,

once discovered, is dependent on a number of factors, including the particular attributes of the deposit such as size, grade, and proximity to infrastructure, 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.

- ***Economics of Developing Mineral Properties***

Substantial expenditures are required to establish ore reserves through drilling, to develop the appropriate metallurgical processes to economically extract the metals or elements from the ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be present in sufficient quantities and grades to justify these development expenditures or that the funds required can be obtained in a timely fashion.

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.

- ***Government Regulations and Environmental Factors***

The exploration, development and mining of the Properties will be affected to varying degrees by: government regulations relating to environmental protection and worker health and safety; mining law; taxes and tariffs; land use; and aboriginal land claims. All regulations impact the economic viability of carrying out exploration and mining activities and any amendments or changes to existing laws and regulations could have a material adverse affect on the Company's operations and prospects.

- ***Aboriginal Rights***

The Company is not aware of any aboriginal land claims with respect to the 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.

- ***Additional Funding***

The Company does not currently have sufficient financial resources to undertake by itself all of its planned exploration and possible development programs. The exploration and subsequent development of the Properties may 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 allow the Company to fulfill its obligations on the Properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and the possible loss of the Company's interest in the Properties.

- ***Competition***

The resource industry is competitive in all of its phases, and the Company competes with many companies possessing far greater financial resources and technical facilities than it has. Competition could adversely affect the Company's ability to acquire, explore and develop properties in the future.

- **Management**

The Company currently has nine employees and one contract senior officer who manage its affairs with the assistance of its non-executive directors and independent consultants. GWTI has seven employees including management. LCM has twenty four employees including management, all at their head office in Birkenhead, UK. Development of the Company will be dependent upon it having the funds necessary to, and being successful in, employing and retaining skilled personnel.

The ability of the Company to realize its goal of becoming a producer of rare earth element products, outside of China, is dependent on its ability to raise capital to finance the evaluation and development of its rare earth projects. The company must demonstrate that one or more of the projects will generate the internal rate of return demanded for a positive production decision and then raise the capital required to construct and run the mine until commercial production is achieved.

The viability of any one or more of these rare earth projects very much depends on the ability of the Company to establish markets for its rare earth products. The supply side of the rare earths industry is currently largely controlled by production from China.

Mineral properties consist of the following:

	Douglas River	Hoidas Lake	Knee Lake	Deep Sands	Rareco	Benjamin River	Other	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	9,840				76,373	36,691		\$ 122,904
Assays/Metallurgy	36,974	149,125		19,751		35,436		\$ 241,286
Camp Operations	19,685	1,184		168,687		25		\$ 189,581
Drilling				-15,436		390,798		\$ 375,362
GeoChem		9,177		25,337		58,095		\$ 92,609
Labor		27,401		25,491	27,656			\$ 80,548
Management Fees	28,146	13,800		21,300	1,200	42,126	2,100	\$ 108,672
Pre-Feasibility		109,504						\$ 109,504
Survey/Mapping	8,780	9,949		43,512		147,718		\$ 209,959
Travel	34,538	27,831		2,557				\$ 64,926
Loss on Abandonment			(10,600)					\$ (10,600)
Balance Dec 31, 2009	155,338	\$11,774,244	\$0	\$6,935,427	\$204,863	\$754,575	\$2,100	\$ 19,826,547

- **Hoidas Lake Rare Earth Project**

The Company currently holds a 100% interest in the Hoidas Lake rare earth minerals (“REE”) property subject to a 1.8% gross royalty capped at \$1,000,000, payable to the original prospector.

The property comprises 14 mineral dispositions totaling 12,522 ha, and covers over 30 known rare earth showings.

The current 43-101 compliant resource estimate for Hoidas Lake, date November 2009 is given in the following table as estimated by Barr Engineering of Minneapolis , MN, USA, using Ordinary Kriging methodology:

Category	Cut-Off Grade WT.% TREE + Y	Tonnes	TREE + Y WT.%	TREO* + Y2O3 WT.%
Measured	1.5	963,808	2.142	2.568
Indicated	1.5	1,597,027	1.958	2.349
Total		2,560,835	2.028	2.431
Inferred	1.5	286,596	1.784	2.139

*Total Rare Earth Oxide-calculated from TREE for comparison purposes.

The above resource estimate is based on all drilling up to December 31, 2009 and the associated 120 drill holes totaling 15, 223 meters and 4,730 assays. A Preliminary Assessment Report will be developed upon the completion of various metallurgical testing programs. The Zones now have a strike length of 1 km and remain open to the NE, SW and down dip.

During 2009 the following work was undertaken:

- Barr Engineering was contracted to produce a resource estimate incorporating all available drilling results for the JAK Zone. This work was completed in November, 2009. Results, as compared to the previous estimate, increased by 123% in the tonnage value of the combined Measured and Indicated categories. There was an associated drop of the combined Measured and Indicated categories TREE+Y grade of 12%.
- The metallurgical study that was initiated with The General Research Institute For Non-Ferrous Metals, a renowned institute located in Beijing China was re-started after being suspended due to financial constraints. The purpose of this study is to approach the Hoidas Lake rare earth extraction processes from a non-typical prospective using metallurgical reagents not readily available outside of China in test sized quantities. Completion of this study took place in the first quarter of 2010 the report is still outstanding.
- The mineralogical study that was initiated through Xstrata's laboratory was also re-started after being suspended due to financial constraints. This work is testing the existence and distribution of various rare earth carrying minerals throughout the Hoidas Lake deposit. Completion of this study occurred in the first quarter of 2010.
- A metallurgical study was initiated and completed in the last quarter of 2009 testing new fine particle separation technology that may be applicable to the extraction of the rare earth metals from Hoidas Lake rock. Initial results showed negative characteristics which eliminated this technology
- The Company continues to work towards optimizing metallurgy issues related to the Hoidas Lake property.

- ***Deep Sands Project, Utah***

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 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 agreed to drilling and evaluation program, the Company has the right to negotiate with the vendor either the acquisition of the remaining 75% of the REE mineral rights or the participation in a joint venture. In the event that the Company and the vendor cannot agree to the terms of a participation agreement regarding the commercial exploitation of REE, each party has a right of first refusal to match any bona fide offer the other party 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 property, 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.

- ***Benjamin River Project***

On December 1, 2008 the Company entered into an Option Agreement to earn a 100% interest in a REE property near Bathurst, New Brunswick. The interest can be earned by making an initial payment of \$5,000 (paid January 2009) and issuing 100,000 common shares (issued Jan 2009) of the Company and subsequent payments of \$10,000 on November 30, 2009, \$30,000 on November 30, 2010, \$50,000 on November 30, 2011, \$100,000 on November 30, 2012 and \$300,000 on November 30, 2013. The Company issued 50,000 common shares of the Company on November 30, 2009. At such time when minerals are extracted and sold from the property, the Optionor will receive a royalty interest of 2% of the Net Smelter Returns. The Company has an option to purchase back 1% of the NSR for \$1,000,000.

The 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).

Grab samples of the vein material taken by the Company vary from 0.6% Total Rare Earth Oxide (“TREO”) to 1.0% TREO. While the overall TREO grade appears low compared to some other deposits, the proportion of heavy rare earth oxides (europium through lutetium) is high at over 11%, including a dysprosium content of over 3% of the total rare earth oxide content. Additionally the phosphate content of the samples grades up to 18% and iron (Fe₂O₃) content as high as 39%. The fact that the property is located near water, roads, rail and power make large tonnage by-product production potentially feasible.

During the first quarter of 2009, the Company completed a 41 km grid over the main showing area and a magnetometer and VLF-EM survey.

During the third quarter, the Company carried out a stripping program in three areas of the vein (approximately 400²m) in order to identify continuity, possible dilution and the extent of the mineralization. Additionally, in preparation for geological mapping an

additional 35 km of linecutting was carried out in order to tighten the grid spacing to 25m.

Fugro Airborne Surveys completed a 1,712 line km airborne radiometric and magnetic survey over the property. Based on the geophysics and ground work results to date, several drill locations were selected and drilling commenced in mid November, 2009. 2,316 meters of drilling have been completed.

- ***MistyProject***

On June 3, 2008 the Company and CanAlaska Uranium Limited entered into an option agreement whereby GWMG can acquire up to a 51% interest in CanAlaska's Misty Project near Lac Brochet in northwestern Manitoba.

The Project, with an area of 53,080 hectares, is underlain by Wollaston Group metasedimentary rocks and granitic rocks. Rare Earth Elements ("REE") mineralization was discovered by CanAlaska exploration teams during the reconnaissance sampling program in the search for uranium mineralization. On March 11, 2008, CanAlaska reported REE assay results up to 10.4% REE from samples collected during this program. Most of the samples are from outcrop over an area of one square kilometre and are dominantly described as granite, with some samples described as metasedimentary rocks. The samples lie within and along the margins of a magnetic high which CanAlaska believes is related to this very high grade REE mineralization.

Upon receipt of the necessary permits and approvals, GWMG will begin its preliminary exploration activities on this project, including geological mapping, prospecting, and ground geophysics, to establish drill targets for further exploration. As part of its community awareness program, GWMG will also meet with the First Nations communities in the region to introduce the Company and present its exploration program for the area.

For the year ended December 31, 2009, no work was completed.

- ***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 REE mine in the Western Cape, South Africa. In addition, GWMG can acquire exclusive access to 100% of the REE mined there ("Supply Agreement").

Under the terms of the agreement, GWMG has paid to Rareco an amount of ZAR 1 Million (approximately C\$125,000) in two tranches for the option. The first payment of ZAR 500,000 was paid on signing the agreement and the second payment of ZAR 500,000 was paid during the third quarter of 2009. As amended, GWMG and Rareco will, after the issuance of a "new order" mining license by the South African Department of Mineral Resources ("DMR"), negotiate the terms of a Supply Agreement under which GWMG will be able to obtain from Rareco 100% of the REE concentrate production from the Steenkampskraal mine for a ten-year period, after which a new Supply Agreement can be negotiated. It is expected that the DMR will issue the new order mining lease early in the second quarter of 2010.

On January 1, 2010, GWMG and Rareco entered into an Exclusivity Agreement whereby GWMG will pay to Rareco R75,000 monthly in return for specific undertakings which

include, but are not limited to: working with the DMR to expedite the conversion of the old order mining right; obtaining all necessary governmental and regulatory approvals required to operate the Steenkampskraal mine once the “new order” mining license is issued; financing the rehabilitation guarantee required by the DMR in respect of the Steenkampskraal mine; and facilitating the receipt of all necessary governmental and regulatory approvals for GWMG's involvement in the ownership structure of the project.

Subject to GWMG's completion of satisfactory due diligence, the issuance of the “new order” mining license by the DMR and other conditions, in addition to entering into the Supply Agreement, GWMG intends to procure the financing necessary for Rareco to further evaluate and, if warranted, re-commence operations at the Steenkampskraal mine. As part of its efforts to secure production from the Steenkampskraal mine, GWMG intends to consider one or more transactions which may result in the acquisition of an equity interest in Rareco.

- ***Douglas River***

The Company owns 100% interests in two mineral dispositions in the Douglas River area of Saskatchewan. These claims were acquired based on previous work that identified significant yttrium and heavy rare earth mineralization on the property. Payments have been made in lieu of assessment work to satisfy regulatory requirements to keep the property in good standing.

During the third quarter the company carried out a helicopter assisted prospecting and MMI (mobile metal ion) geochemical sampling program. During this program, the Beatty River Trench (sampled by SMDC in 1985) was re-located, cleaned out and re-sampled. The program was successful in confirming the historic assays of mineralization in the trench, with values as high as 8.75% TREO including Dy₂O₃ assayed at 1.15%. The geochem sampling program was carried out in order to test the validity of the MMI technique for identifying buried extensions of this mineralization. The analytical results are pending.

An MMI soil sampling orientation survey was undertaken in this area. The analytical results for this program are pending.

- ***Knee Lake***

The decision was made to allow these mineral dispositions to lapse on their anniversary date in 2009.

Manufacturing assets consist of the following:

- **Less Common Metals**

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.
- (ii) The Company issued a £2,800,000 (\$5,677,280) convertible debenture (the “Convertible Debenture”) which includes a \$608,280 completion fee and

750,000 common share purchase warrants (the “Warrants”) valued at \$100,939 to the Vendors.

During the quarter, the Company converted the outstanding debenture and completion fee into shares at the price outlined in the debenture agreement.

The Warrants have a term of two years and are convertible into common shares of the Company at a price of \$0.30 per common share.

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><u>\$9,660,433</u></u>

LCM manufactures rare earth metals and alloys. Specializing in alloys demanding tight compositional tolerance, LCM has flexible processing capability enabling the production of a wide range of the most reactive metals and their alloys in a variety of physical forms.

- **Great Western Technologies Inc**

In December 2005, the Company incorporated a US subsidiary called Great Western Technologies Inc. (“GWTI”). Through GWTI, the Company signed a formal Purchase Agreement with Energy Conversion Devices Inc. (“ECD”), (NASDAQ:ENER) and an affiliate, whereby GWTI purchased certain specialty metal production assets located in Troy, Michigan. The production equipment, located in two adjacent plants, is capable of producing nickel metal hydride (NiMH) powder, used in hydrogen storage materials and NiMH rechargeable batteries, and a range of other specialty, metals, powders and super alloys. The plants are currently in operation. GWTI forms the basis of GWMG’s marketing strategy for specific products it expects to produce from the Hoidas Lake deposit. GWTI commenced operations January 1, 2006 and it currently supplies specialty products to customers in the automotive, magnet, and aerospace industries.

Financial Highlights

The following table presents consolidated financial data for the year ended December 31, 2009 and 2008:

	2009 \$	2008 \$
Total revenues	11,994,734	6,915,250
Net loss	(6,954,976)	(5,148,544)
Basic and diluted loss per share	(0.041)	(0.032)
Total assets	33,056,043	33,381,988
Long-term liabilities	1,038,504	1,882,569
Cash dividends	Nil	Nil

Results of Operations

For the year ended December 31, 2009, the Company recorded a net loss of \$6,954,976 or a \$0.041 loss per share compared to a net loss of \$5,148,544 or \$0.032 loss per share for the year ended December 31, 2008. The main impact on operating results for 2009, compared with the same period in 2008, is the increase in stock based incentives of \$2,175,262 compared to \$214,984 in the previous year largely due to increase in estimated option value from the increased call price. The Company's cash position was \$1,164,764 at December 31, 2009 compared to \$646,941 at December 31, 2008. During the year, \$6,581,214 was raised from the issuance of shares compared to \$4,617,351 last year. Capital expenditures for the year were \$1,591,388 for mineral property additions and capital asset purchases. This compares to \$9,701,149 in capital expenditures for last year.

Revenues

For the year ended December 31, 2009 the Company reported manufacturing revenue of \$11,994,734. This is compared to manufacturing revenue of \$6,915,250 for the year ended December 31, 2008. Other income for the year ended December 31, 2009 was \$113,480 compared to \$50,004 for the year ended December 31, 2008. Interest income increased to \$407,621 for the year ended December 31, 2009 compared to \$68,214 for the year ended December 31, 2008

Expenses

Expenses for the year ended December 31, 2009 totaled \$8,301,044 representing a net increase of \$2,737,794 compared to \$5,563,248 for the year ended December 31, 2008. Stock based incentives were \$2,175,262 for the current year compared to \$214,984 in the previous year. In 2009 -8,975,000 options were issued and in 2008 - 4,075,000 were issued. To determine the estimated value of the options a call value was used. The average call price in 2009 was \$0.24 compared to \$0.05 in 2008. Professional fees in the current year were \$460,809 compared to \$194,087 in the previous year. The change was mostly an increase in legal fees of \$263,000. The increase was largely due to higher US counsel billings, charges for corporate affairs and counseling for South Africa. General and administrative combined with other direct overhead was up \$391,465 over the previous year.

Assets and Liabilities

Current assets increased \$88,049 to \$5,581,074 at December 31, 2009 as compared to \$5,493,025 at December 31, 2008. Current liabilities decreased by \$5,285,442 to \$4,763,934 at December 31,

2009, compared to \$10,049,376 at December 31, 2008. Mineral property assets increased \$1,584,751 during the year.

Liquidity and Capital Resources

During the year the working capital improved significantly to \$817,140, compared to a deficit of \$4,556,351 at December 31, 2008. This increase in net working capital of \$5,010,880 is due mainly to the Company retiring the convertible debenture of \$5,576,214 from the LCM acquisition with the conversion of the debenture into shares of the Company. Inventory at the end of the year was approximately \$0.5 million less than at the end of December 2008 due to an effort to reduce overall inventory levels and the fact that sales in the last quarter of 2008 decreased due to the downturn in the global economy.

Cash Flow

The Company's cash position increased \$517,823 compared to December 31, 2008.

Summary of Quarterly Results

The following table represents selected financial information for the eight most recently completed quarters:

For the quarter ended	December 31, 2009	September 30, 2009	Jun 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	Jun.30, 2008	Mar.31, 2008
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	3,209,827	3,132,227	3,173,876	2,999,905	2,653,914	4,126,087	109,226	144,241
Net loss	(3,917,318)	(1,094,993)	(1,166,639)	(776,026)	(3,693,690)	(427,009)	(711,804)	(316,041)
Loss per share	(0.023)	(0.007)	(0.008)	(0.004)	(0.032)	(0.004)	(0.006)	(0.003)

All data is in Canadian dollars prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis.

Quarterly Comparison

Revenues

A significant increase in revenues occurred in the quarter ended September 30, 2008 as this was the first quarter that GWMG consolidated its revenues with those of LCM. Prior to that quarter, revenues remained fairly constant with fluctuations arising due to the fluctuations in manufacturing revenues earned at GWTL. There is a marked reduction in revenues from quarter ended September 30, 2008 as compared to the recent quarters due to the downturn in the global economy.

Net income/loss

In the fourth quarter of 2008 significant losses occurred because of the write-off of exploration expenses relative to the abandoned properties as discussed in the mineral properties section. The first quarter of 2008 saw a net loss again due to the normal course of operations and significant travel and professional expenses. The second quarter of 2008 saw large net loss again due to the

normal course of operations. The third quarter of 2008 saw a net loss of \$427,009 which represents a decrease in the loss from operations due to the addition of LCM to the operations of the Company.

The first quarter of 2009 saw a net loss of \$776,026 with gross revenues of \$2,999,904. Revenues increased \$340,651 over the previous quarter. The second quarter of 2009 saw the net loss increase to \$1,166,639 over the previous quarter with \$568,024 of that due to a foreign exchange loss from LCM activities which are denominated in pounds sterling. 2009 third quarter results were consistent with that of the previous quarter. The Company reported its most significant loss during the fourth quarter of 2009 due to this issuance of \$2M in stock based incentives.

Related party transactions

During the twelve months, salaries, bonuses, management and consulting fees of \$1,188,985 (2008 - \$961,305) were paid to directors, officers and companies controlled by common directors. \$174,905 (2008 - \$154,839) was included in mineral properties, \$49,153 (2008 - \$33,000) was included in management fees, and \$964,927 (2008 - \$592,759) was included in salaries. During the twelve months, \$174,081 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.

Critical Accounting Estimates

The Company's consolidated financial statements are prepared in conformity with Canadian Generally Accepted Accounting Principles ("GAAP"). The Company's accounting policies are described in note two in the unaudited quarterly interim financial statements. Generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Areas of significance requiring the use of management estimates related to the determination of the recoverability of capitalized mineral exploration costs, stock based compensation and the determination of future income tax assets and liabilities. Actual amounts could differ from those estimates.

- **Going concern**
The 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.
- 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.

- **Mineral properties**

The company holds the right to explore for and develop mineral resources on various Crown property dispositions within the Province of Saskatchewan.

The cost of mineral properties and related exploration and development costs are deferred until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized on the unit-of-production method following the commencement of production or written-off if the properties are sold or abandoned. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed.

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves; the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and do not necessarily reflect present or future values.

- **Future income taxes**

The company uses the asset and liability method of recording income taxes. This method recognizes the future income tax inflows and outflows that will result whenever the carrying amount of an asset or liability is recovered or settled.

The company finances a portion of its exploration activities through the use of flow through shares. The company records the tax cost of expenditures renounced to subscribers on the date the deductions are renounced to the subscribers. Share capital is reduced and future income tax liabilities are increased by the estimated tax benefits renounced by the company to the subscribers, except to the extent that the company has unrecorded loss carry forwards and tax pools in excess of book value available for deduction.

- **Foreign currency translation**

For integrated foreign operations, foreign currency transactions are translated to Canadian dollars using the temporal method. Under this method, all monetary assets and liabilities expressed in foreign currencies are translated at year end exchange rates. Income statement items are translated at the average rate prevailing during the year. All other assets and liabilities are translated at the rates prevailing at the dates the assets were acquired or liabilities incurred. The resulting foreign currency translation gains and losses are included in the determination of loss for the year. For self-sustaining foreign operations, foreign currency transactions are translated to Canadian dollars using the current rate method. Under this method, all assets and liabilities expressed in foreign currency are translated at the year end exchange rate. Income statement items are translated at the average rate prevailing during the year. The resulting foreign currency translation amount is shown in a separate part of other comprehensive income.

- **Stock-based compensation plan**

Options granted under the share option plan are accounted for using the fair-value method. Under this method, the fair-value of stock options granted is measured at estimated fair-value at the grant date and recognized over the vesting period. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

International Financial Reporting Standards (“IFRS”)

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 measureable 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.

A detailed analysis of the differences between IFRS and the Company's accounting policies as well as an assessment of the impact of various alternatives is being carried out. Some specific areas reviewed and considered to date are:

(a) Property, Plant and Equipment (Mineral Properties)

IFRS and GAAP contain the same basic principles of accounting for property plant and equipment; however, differences in application do exist

(b) Impairment of non-current assets

IFRS uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of value in use and fair value less costs to sell. Under IFRS, previous impairment losses may be reversed where circumstances change such that the impairment has reduced. Currently the only impaired asset GWMG has is goodwill.

(c) Stock based compensation

IFRS requires that cash-settled share-based payment to employees be measured (both initially and at each reporting date) based on fair values of the awards. Canadian GAAP on the other hand requires that such payments be measured based on intrinsic values of the awards.

(d) Cash Flow Statement

Under Canadian GAAP the indirect method of reporting cash flows is permitted under IFRS the direct method is the only one permitted. This is just a simple presentation issue that will not affect recognition of the numbers presented.

(e) IFRS 1, First time Adoption of International reporting Standards

IFRS 1 provides entities adopting IFRSs for the first time with a number of optional exemptions and mandatory exceptions, in certain areas.

Management certifications – Internal control over financial reporting

Recent changes in securities laws no longer require the CEO and CFO of TSX Venture Exchange listed companies such as GWMG to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by GWMG's certifying officers for the December 31, 2007 annual filings. The new certification

reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires that the certifying officers state:

- i) they have reviewed the annual MD&A and financial statements;
- ii) they have determine there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make any statement not misleading in light of the circumstances under which it was made within the interim MD&A and financial statements;
- iii) that based upon their knowledge, the annual filings, together with the other financial information included in the annual filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the date and for the periods presented in the filings.

For purposes of this certification, management believes fair presentation in accordance with Canadian GAAP constitutes fair presentation under securities laws.

Outstanding Share Data

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	150,000	23,000
Private placements	2,155,443	241,590
Conversion of debentures	21,936,750	5,298,834
Exercise of warrants	30,656,568	3,812,878
Exercise of options	450,000	81,000
Renunciation of Canadian exploration expenses	-	(972,630)
Cash issue costs	-	(499,075)
Non-cash issue costs	-	(526,731)
Balance December 31, 2009	<u>201,160,118</u>	<u>\$ 46,702,187</u>

*Fully diluted number of shares outstanding at December 31, 2009 was 236,682,527 (including 17,000,000 options outstanding and 18,522,409 warrants outstanding).

Additional Data

Additional information relating to the Company can be found on the SEDAR website at www.sedar.com.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. It should be read in conjunction and in context with all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation for analysis on any particular issue. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented.

Certain statements contained in this document constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, financial performance, business prospects, strategies, regulatory developments, exploration, competition, development activities and commitments, and obtaining permits and licenses.