

GREAT WESTERN MINERALS GROUP LTD.

CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2010

(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 three months ended March 31, 2010.

GREAT WESTERN MINERALS GROUP LTD.

CONSOLIDATED BALANCE SHEET

(unaudited)

March 31, 2010

(Canadian dollars)

March 31, 2010

December 31, 2009

ASSETS

Current Assets

Cash	\$ 6,136,855	\$ 1,164,764
Accounts receivable	2,283,586	1,834,675
Inventory	1,798,906	2,212,461
Deposits and prepaid expenses	277,499	369,174
	<u>10,496,846</u>	<u>5,581,074</u>
Investment in Vaaldiam Mining, Inc. (Note 4)	300,844	225,633
Mineral properties (Note 5)	20,187,430	19,826,547
Capital assets (Note 6)	3,049,551	3,317,060
Intangible assets	1,403,059	1,445,576
Goodwill	2,660,153	2,660,153
	<u>\$ 38,097,883</u>	<u>\$ 33,056,043</u>

LIABILITIES

Current Liabilities

Accounts payable	\$ 1,209,123	\$ 2,924,280
Demand loan (Note 7)	1,232,343	596,635
Corporate taxes payable	107,641	27,845
Current portion of long-term debt (Note 8)	453,789	1,215,174
	<u>3,002,896</u>	<u>4,763,934</u>
Deferred gain on sale of building (Note 6)	167,973	178,051
Future income taxes (Note 12)	862,319	860,453
	<u>4,033,188</u>	<u>5,802,438</u>

SHAREHOLDERS' EQUITY

Share capital (Note 9)	56,698,183	46,702,187
Special purchase warrants (Note 9)	-	2,510,168
Contributed surplus (Note 9)	5,733,521	5,429,928
Cumulative other comprehensive loss	(2,965,954)	(2,693,285)
Deficit	(25,401,055)	(24,695,393)
	<u>34,064,695</u>	<u>27,253,606</u>
	<u>\$ 38,097,883</u>	<u>\$ 33,056,043</u>

Approved by the Board

"Ian McNaughton"

"Jim Engdahl"

GREAT WESTERN MINERALS GROUP LTD.

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
(unaudited)

FOR THE THREE MONTHS ENDED

(Canadian dollars)

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
Sales	\$ 3,886,651	\$ 2,883,577
Cost of sales	<u>2,631,265</u>	<u>1,902,297</u>
Gross margin	<u>1,255,386</u>	<u>981,280</u>
Expenses		
General and administration	340,928	280,612
Wages and benefits	711,487	546,919
Stock based incentives	24,465	-
Property research	(1,671)	5,942
Professional fees	63,165	71,633
Investor relations	117,272	22,310
Other direct overhead	<u>357,764</u>	<u>298,040</u>
	<u>1,613,410</u>	<u>1,225,456</u>
Loss before interest, taxes and depreciation	(358,024)	(244,176)
Depreciation	233,664	274,349
Interest expense	117,537	270,007
Interest income	(69,768)	(103,827)
Other income	(32,228)	(12,501)
Foreign exchange (gain) loss	<u>(24,180)</u>	<u>55,206</u>
Loss before income taxes	(583,049)	(727,410)
Income tax recovery	(122,613)	(48,616)
Future income tax recovery (Note 12)	<u>-</u>	<u>-</u>
Net loss	(705,662)	(776,026)
Deficit, beginning of quarter	<u>(24,695,393)</u>	<u>(17,740,417)</u>
Deficit, end of quarter	<u>\$ (25,401,055)</u>	<u>\$ 18,516,443)</u>
Basic and fully diluted loss per share	<u>\$ (0.003)</u>	<u>\$ (0.004)</u>
Weighted average number of shares outstanding	<u>272,780,216</u>	<u>201,221,535</u>

GREAT WESTERN MINERALS GROUP LTD.

CONSOLIDATED STATEMENT OF CUMULATIVE OTHER COMPREHENSIVE LOSS
(unaudited)

FOR THE THREE MONTHS ENDED

(Canadian dollars)

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
Cumulative other comprehensive loss, beginning of period	\$ (2,693,285)	\$ (3,225,451)
Other comprehensive income (loss)		
Unrealized loss on available for sale investments	75,211	21,375
Translation adjustment	<u>347,890</u>	<u>49,321</u>
Cumulative other comprehensive loss, end of period	<u><u>\$ (2,965,954)</u></u>	<u><u>\$ (3,154,755)</u></u>

GREAT WESTERN MINERALS GROUP LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2009

(Canadian dollars)

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
Cash flows from (used in) operating activities		
Net loss	\$ (705,662)	\$ (776,026)
Items not affecting cash		
Depreciation	233,664	274,349
Future income tax recovery	-	-
Stock-based incentives	24,465	-
Amortization of gain on building disposal	(10,078)	-
Convertible debenture paid with shares	531,743	-
Foreign exchange gain on debenture paid with shares	9,175	-
Net changes in non-cash working capital items related to operations	<u>(1,162,327)</u>	<u>639,349</u>
	<u>(1,079,020)</u>	<u>137,672</u>
Cash flows from (used in) investing activities		
Additions to mineral properties	(360,883)	(76,342)
Purchase of capital assets	(19,339)	(1,310)
	<u>(380,222)</u>	<u>(77,652)</u>
Cash flows from (used in) financing activities		
Issuance of share capital	8,050,000	143,590
Share issue costs	(816,788)	(3,618)
Repayment of long-term debt	(801,879)	(176,767)
	<u>6,431,333</u>	<u>(36,795)</u>
Net increase in cash during the period (Note 10)	<u>4,972,091</u>	<u>23,225</u>
Cash beginning of period	<u>1,164,764</u>	<u>646,941</u>
Cash, end of period	<u>\$ 6,136,855</u>	<u>\$ 670,166</u>

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

March 31, 2010

(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. 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. The Company's 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. The Company is in the development stage with respect to its interests in mineral properties.

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 March 31, 2010, the Company reported an after-tax loss of \$705,662, an accumulated deficit of \$25,401,055, and working capital of \$7,493,950. 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 to the financial statements.

2. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, GWTI, GWUS Inc., LCM, LCMG, and inactive subsidiaries, Texoro Resources Corporation and Great Western Minerals USA Inc. Interests in joint ventures are accounted for by the proportionate consolidation method. The Company accounts for investments in which it has significant influence over under the equity method, and investments designated as available for sale are recorded at fair value.

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

March 31, 2010
(Canadian dollars)

2. **Significant accounting policies** (continued)

Cash

Cash consists of cash on hand, balances with banks and investments in money market funds.

Inventory

Inventory is valued at the lower of cost and net realizable value as determined on a first-in, first-out basis.

Mineral properties

Subject to compliance with Provincial Mineral Regulations, the Company holds the right to explore for and develop mineral resources on various Crown property dispositions within certain provinces in Canada. The Company also owns property in the United States of America.

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.

Capital assets

Capital assets are recorded at cost. Equipment is amortized using the straight-line method. Annual amortization rates are as follows:

Building	4%
Computer equipment	30%
Furniture	20%
Leasehold improvements	20%
Motor vehicles	25%
Plant equipment	20%

Intangible assets

The customer list of LCM is being amortized over its expected useful life, which is ten years.

Goodwill

Goodwill represents the excess of the purchase price of the Company's interest in the businesses acquired over the fair value of the underlying net identifiable tangible and intangible assets arising on acquisitions. The Company determines, at least once annually, whether the fair value of the business to which goodwill has been attributed is less than the carrying value of the business's net assets including goodwill, thus indicating impairment. The Company completed the annual test to determine, whether for the year ended December 31, 2009, there was impairment in the carrying amount of goodwill. As a result of this review, no impairment was recognized.

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

March 31, 2010
(Canadian dollars)

2. Significant accounting policies (continued)

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 carryforwards and tax pools in excess of book value available for deduction.

Asset retirement obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur and/or in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability, with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. The Company currently does not have any asset retirement obligations.

Revenue recognition

Revenue is recognized on product sales when the products are shipped. In addition, rental income and interest income is recognized as it becomes earned.

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 quarter end exchange rates. Income statement items are translated at the average rate prevailing during the quarter. 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 quarter. 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 quarter 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

The Company has a share option plan that is described in Note 9. 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.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. By nature, valuations are subjective and do not necessarily result in precise determinations. Should underlying assumptions change, the estimated values could change by a material amount.

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

March 31, 2010
(Canadian dollars)

2. **Significant accounting policies** (continued)

Future accounting pronouncements

International financial reporting standards

In October 2009, Accounting Standards Board (AcSB) issued a third and final IFRS Omnibus Exposure Draft confirming 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,

Future accounting pronouncements (continued)

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

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)

March 31, 2010

(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, acquired all of the issued and outstanding shares of common stock of 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 Mining, Inc.

The Company owns 752,109 (2009-7,521,092) common shares of Vaaldiam Mining Inc. (Vaaldiam). During the quarter Vaaldiam was acquired by Tiomin Resources, Inc (Tiomin) and the common shares have been consolidated on a 10 for 1 basis. Tiomin has also changed its name to Vaaldiam Mining, Inc. 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 March 31, 2010 is \$300,844 (December 31, 2009 - \$225,633).

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

March 31, 2010
(Canadian dollars)

5. Mineral properties

	Douglas River	Hoidas Lake	Deep Sands	Rareco	Benjamin River	True Blue	Misty	Red Wine	Other	Total
Balance, 2009	\$155,338	\$11,774,244	\$6,935,427	\$204,863	\$754,575	\$ -	\$ -	\$ -	\$2,100	\$ 19,826,547
Expenditures during the period										
Acquisition	-	-	-	108,215	2,367	-	-	1,500	-	112,082
Assays/metallurgy	-	36,280	15,704	-	-	-	-	-	-	51,984
Camp operations	-	26	14,742	-	-	-	-	-	-	14,768
Drilling	-	-	-	-	-	-	-	-	-	-
GeoChem	-	373	-	-	-	-	-	-	-	373
Labor	20,501	-	16,831	29,692	13,943	-	-	-	-	80,967
Management fees	900	-	-	600	300	-	300	-	-	2,100
Pre-feasibility	3,160	625	-	-	-	1,933	992	-	-	6,710
Survey/mapping	-	-	2,609	-	33,905	-	-	-	-	36,514
Travel	-	(1,215)	-	56,600	-	-	-	-	-	55,385
Loss on abandonment	-	-	-	-	-	-	-	-	-	-
Balance Mar 31, 2010	\$179,899	\$11,810,333	\$6,985,313	\$339,970	\$805,090	\$1,933	\$1,292	\$1,500	\$2,100	\$ 20,187,430

	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

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

March 31, 2010

(Canadian dollars)

5. Mineral properties (continued)

Hoidas Lake

The Company holds a 100% interest in the Hoidas Lake rare earth property. The property consists of 14 claims totalling 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 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.

Douglas River

The Company owns 100% interests in three mineral dispositions in the Douglas River area of Saskatchewan, which it acquired by staking.

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. Management decided to abandon its mineral claims on Knee Lake in 2009.

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 totalling 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 must pay to the vendor \$5,000 cash (paid) plus issue 100,000 common shares of GWMG in January 2009 (issued); \$10,000 cash (paid) plus issue 50,000 common shares on the first anniversary (issued), \$30,000 cash on the second anniversary; \$50,000 cash on the third anniversary; \$100,000 cash on the fourth anniversary, with a final payment of \$300,000 cash 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.

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

GREAT WESTERN MINERALS GROUP LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

March 31, 2010

(Canadian dollars)

5. Mineral properties (continued)

Rareco Project (continued)

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. GWMG will provide development financing based on an up-dated capital budget to secure the Supply Agreement. It is expected that the DMR will issue the new order mining lease early in the second quarter of 2010.

On February 3, 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.

True Blue

The Company entered into an option agreement to acquire up to 65% working interest in True North Gems Inc's (TGX) True Blue property in the Yukon. The True Blue property is located 55 kilometers south of Ross River, Yukon.

Under the terms of the Agreement, the Company can earn a 51% interest in the property (the "First Option") with an initial cash payment of C\$50,000 on signing which was paid on April 7, 2010, followed by additional cash payments totaling C\$350,000 on or before January 30, 2013. In addition, to exercise the First Option, the Company was required to issue TGX 300,000 common shares on signing the agreement which were issued April 6, 2010, followed by an additional 900,000 common shares on or before January 30, 2012.

The First Option also requires the Company to complete a total of C\$5.0 million in exploration costs on or before December 31, 2013 with a commitment to incur C\$1.0 million of such exploration costs during 2010. Once the Company earns its 51% interest, the Company may exercise a second option (the "Second Option") that will grant the Company a further 14% interest (total 65%) by completing all expenditures in connection with the completion of a bankable feasibility study. The Company will be the operator of the True Blue property during the term of the First and Second Option. The Company will also have the right to market TGX's share of REE production with TGX having the option to renew such marketing agreement every three years.

Misty

The Company has entered into a \$6 Million option agreement to acquire up to a 51% interest in CanAlaska's

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5. Mineral properties (continued)

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.

Under the terms of the Letter of Agreement (the "Agreement"), the Company will pay to CanAlaska a total cash payment of \$100,000 with \$10,000 payable on execution date of the agreement, \$10,000 on each of the first four anniversary dates, and \$50,000 payable on the fifth anniversary of the execution date. In addition to the cash payments, the Company will issue to CanAlaska a total of 200,000 shares with 100,000 to be issued on the execution date of the agreement and the remaining 100,000 shares to be issued on the first anniversary. During the course of the agreement period, the Company will be required to perform a total of \$6,000,000 of exploration work, with a total of \$450,000 during the first four years of the agreement, a further \$2,550,000 on or prior to the fifth anniversary date, and a further \$3,000,000 on or before the sixth anniversary date.

Red Wine

The Company entered into an option agreement to acquire up to a 50% working interest in Alterra's Red Wine property, located approximately 100 km north-east of Churchill Falls, Labrador. The Red Wine Property comprises 10,025 hectares held under 401 claims, all of which are in good standing.

Under the terms of the Agreement, the Company will pay an aggregate of \$225,000, with \$50,000 payable on the date of the execution of the Letter Agreement which was paid May 7, 2010, \$75,000 payable on or before April 30, 2011 and \$100,000 payable on or before April 30, 2012. The Company will issue an aggregate of 1,050,000 common shares, with 200,000 common shares issuable on the execution of the Letter Agreement which were issued on May 4, 2010, 350,000 common shares issuable on or before April 30, 2011 and 500,000 common shares issuable on or before April 30, 2012.

The Company will also fund an exploration program of an aggregate of \$1,500,000 over a three year period, commencing on or before the date of the Letter Agreement, of which a minimum of \$750,000 must be completed within the first year following the date of the Letter Agreement, a further \$250,000 must be completed within the second year following the date of the Letter Agreement and any balance must be completed within the third year following the date of the Letter Agreement.

Alterra will be the operator and the Company will pay Alterra a 10% management fee, payable in cash. Upon the completion of the annual payments, the share issuances and the Work Program, the Company and Alterra will form a joint venture or incorporate a new company for the development and exploitation of the Red Wine Property. On commencement of commercial production, the Company will have a three year renewable right to market Alterra's share of production of rare earth elements, niobium and tantalum from the Red Wine Property. Alterra will retain the option to renew such marketing agreement every three years.

6. Capital assets

	2010		December 2009	
Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Computer equipment	148,607	108,501	40,106	43,958
Furniture	55,879	31,790	24,089	26,454
Motor vehicles	33,902	31,314	2,588	2,875
Plant equipment	6,358,842	3,619,089	2,739,753	2,974,651
Leasehold improvements	419,171	176,156	243,015	269,122
	<u>\$ 7,061,401</u>	<u>\$ 3,966,850</u>	<u>\$ 3,049,551</u>	<u>\$ 3,317,060</u>

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6. Capital assets (continued)

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 \$167,973, which will be amortized over the remaining life of the lease.

7. Demand loan

LCM has \$1,232,343 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. Security for the loan is placed on the assets of the company. 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. Security for the loan is placed on the assets of the company.

8. Long-term debt

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Convertible debenture (Pope & Co), matures May 25, 2010; no cash interest component	264,769	799,005
Venture Structured Finance cash flow loan, due June 27, 2010; bears interest at the UK Base rate plus 3.5%, paid in monthly instalments of £21,000 (\$32,386) principal plus interest	91,457	208,854
Venture Structured Finance plant and 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 instalments of £22,000 (\$33,928) principal plus interest for the second year	97,563	207,315
	<u>453,789</u>	<u>1,215,174</u>
Less current portion	<u>453,789</u>	<u>1,215,174</u>
	<u>\$ -</u>	<u>\$ -</u>

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) was funded by GWMG issuing a convertible debenture to the vendors. GWMG also granted the vendors a £300,000 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.

The remaining portion of the purchase price of LCM was funded by Venture Structured Finance. The first

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8. Long-term debt (continued)

long term loan consists of £500,000 (\$771,100) borrowed against the cash flows of LCM. This loan is due June 27, 2010 and consists of principal payments of £21,000(\$32,386) per month for the first 23 months and a 24th month principal payment of £17,000 (\$26,217). 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 (\$578,325) borrowed against the plant and machinery of LCM. This loan is due June 27, 2010 and consists of principal payments of £11,000 (\$16,964) per month for the first 12 months, £22,000 (\$33,928) per month for the next 11 months and a 24th month principal payment of £1,000 (\$1,542). 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\$799,005) (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 any time and the debentures have no cash interest component. The real and personal property of the Company is security for the debentures. 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, 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	201,160,118	46,702,187
Issued for mineral properties	-	-
Private placements	28,750,000	8,050,000
Conversion of debentures	2,658,715	531,743
Exercise of warrants	9,861,371	2,510,168
Cash issue costs	-	(816,788)
Non cash issue costs	-	(279,127)
Balance March 31, 2010	<u>242,430,204</u>	<u>\$ 56,698,183</u>

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.

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9. Share capital (continued)

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 one share at an exercise price of \$0.15, for a two year period from the closing date.

During the second quarter of 2009, the Company issued 2,191,666 shares due to warrant conversions for gross proceeds of \$260,833.

During the third quarter of 2009, the Company issued 19,424,334 shares due to warrant conversions for gross proceeds of \$2,235,335, and 756,666 shares due to broker warrant conversions for gross proceeds of \$58,000.

During the third quarter of 2009, the Company issued 20,720,425 shares in relation to the conversion of the LCM convertible debenture. The Company issued 1,216,325 common shares to settle debt of \$346,653.

During the third quarter of 2009, the Company issued 560,000 shares at \$0.175 per share in conjunction with the issuance of the convertible debentures.

During the fourth quarter, the Company issued 8,283,902 shares due to warrant conversions for gross proceeds of \$1,258,710, and exercised 450,000 options for gross proceeds of \$81,000.

During November 2009, the Company issued 50,000 common shares at a deemed price of \$0.29 per share as part of the Benjamin River option agreement.

During November 2009, the Company issued 8,964,886 special warrants for gross proceeds of \$2,510,168. Each special warrant was issued pursuant to the terms of a special warrant indenture entered into between GWMG and Computershare Trust Company of Canada. Each special warrant is exchangeable, for no additional consideration, for 1.1 common share and one-half of one common share purchase warrant. 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, 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. The agents received aggregate cash commission of \$165,646 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.

By way of short form prospectus in January 2010 the Company issued 9,861,371 shares due to the special warrant conversions for gross proceeds of \$2,510,168.

During January 2010, the Company issued 28,750,000 non-flow through units at \$0.28 per unit for gross proceeds of \$8,050,000. Each unit consisted 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 \$0.50, for a five year period from closing date.

During January 2010, the Company issued 2,658,715 common shares in relation to the conversion of a convertible debenture totaling \$531,743.

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9. Share capital (continued)

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.

Options outstanding as of March 31, 2010 are as follows:

<u>Expiry Date</u>	<u>Price</u>	<u>Outstanding</u> <u>2009</u>	<u>Granted</u>	<u>Exercised</u>	<u>Relinquished</u> <u>/ Lapsed</u>	<u>Outstanding</u> <u>2010</u>
May 5, 2010	0.18	650,000				650,000
June 29, 2010	0.18	375,000				375,000
December 16, 2010	0.18	250,000				250,000
April 18, 2011	0.18	600,000				600,000
September 20, 2011	0.18	250,000				250,000
August 3, 2012	0.18	1,125,000				1,125,000
October 5, 2012	0.18	1,100,000				1,100,000
December 4, 2012	0.18	200,000				200,000
January 27, 2013	0.30	-	150,000			150,000
January 27, 2013	0.40	-	150,000			150,000
January 27, 2013	0.65	-	150,000			150,000
January 27, 2013	0.80	-	150,000			150,000
April 2, 2013	0.18	250,000				250,000
October 31, 2013	0.20	3,300,000				3,300,000
October 5, 2010	0.235	150,000				150,000
July 27, 2014	0.18	1,200,000				1,200,000
November 9, 2014	0.35	7,550,000				7,550,000
		<u>17,000,000</u>	<u>600,000</u>			<u>17,600,000</u>

For options outstanding at March 31, 2010 and December 31, 2009, weighted average exercise prices are as follows:

	<u>2010</u> <u>Options</u>	<u>2010</u> <u>Average</u> <u>Price</u>	<u>2009</u> <u>Options</u>	<u>2009</u> <u>Average</u> <u>Price</u>
Beginning of year	17,000,000	\$ 0.29	11,695,000	\$ 0.36
Options granted	600,000	0.61	8,975,000	0.34
Options exercised			(450,000)	0.18
Options lapsed			(3,220,000)	0.36
	<u>17,600,000</u>	<u>\$ 0.31</u>	<u>17,000,000</u>	<u>\$ 0.29</u>

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9. Share capital (continued)

<u>Options Price</u> <u>Per Share</u>	<u>Number</u>	<u>Weighted Average</u> <u>Exercise Price</u>	<u>Weighted Average</u> <u>Remaining Life</u>
0.18	6,000,000	\$ 0.18	2.20
0.20	3,300,000	0.20	3.58
0.235	150,000	0.235	0.50
0.35	7,700,000	0.35	4.59
0.40	150,000	0.40	2.94
0.65	150,000	0.65	2.94
0.80	150,000	0.80	2.94
	<u>17,600,000</u>	<u>\$ 0.31</u>	<u>3.78</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.

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, 2008	38,594,231	\$ 0.52
Granted **	10,560,329	0.18
Exercised	(29,899,902)	0.13
Expired	(2,732,473)	0.53
Balance, December 31, 2009	16,522,185	0.26
Granted	18,857,437	0.50
Exercised	(8,964,886)	0.28
Expired	-	-
Balance, March 31, 2010	26,414,736	\$ 0.46

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

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9. Share capital (continued)

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 Price</u>	<u>Fair Value</u>
Balance, December 31, 2008	5,683,340	0.42	\$ 608,264
Granted	1,124,925	0.25	223,628
Exercised	(756,666)	0.10	(28,032)
Expired	<u>(4,051,375)</u>	<u>0.48</u>	<u> </u>
Balance, December 31, 2009	2,000,224	0.24	803,860
Granted	2,012,500	0.28	279,127
Exercised	-	-	-
Expired	<u>-</u>	<u>-</u>	<u>-</u>
Balance March 31, 2010	<u>4,012,724</u>	<u>\$ 0.26</u>	<u>\$ 1,082,987</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 five years. The value of the options calculated using the Black-Scholes option pricing model described above was \$170,733 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.

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, 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

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9. Share capital (continued)

contributed surplus. Assumptions used in the pricing model were: risk free rate of 0.56%, an expected life of the warrants of 2 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.

On November 6, 2009, the Company granted 591,592 broker warrants. The strike price for the warrants issued was \$0.28 exercisable for a period of 2 years. The value of the warrants calculated using the Black-Scholes warrant pricing model described above was \$132,596 and was expensed with a corresponding increase to contributed surplus. Assumptions used in the pricing model were: risk free rate of 1.28%, an expected life of the warrants of 2 years, an annualized volatility rate of 174% and a dividend rate of nil.

During the fourth quarter of 2009, the Company granted 7,825,000 stock options to employees and consultants. The strike price for the options issued was \$0.35 exercisable for a period of 5 years. The value of the options calculated using the Black-Scholes option pricing model described above was \$1,980,556 and was expensed with a corresponding increase to contributed surplus. Assumptions used in the pricing model were: risk free rate of 1.28%, an expected life of the options of 3 years, an annualized volatility rate of 174% and a dividend rate of nil.

On January 25, 2010, the Company granted 2,012,500 broker warrants. The strike price for the warrants issued was \$0.28 exercisable for a period of 2 years. The value of the warrants calculated using the Black-Scholes warrant pricing model described above was \$279,127 and was expensed with a corresponding increase to contributed surplus. Assumptions used in the pricing model were: risk free rate of 1.18%, an expected life of the warrants of 2 years, an annualized volatility rate of 105.7% and a dividend rate of nil.

During the first quarter of 2010, the Company granted 600,000 stock options to a consultant. The strike price for the 150,000 options that vested in the period was \$0.35 exercisable for a period of 3 years. The value of the vested options calculated using the Black-Scholes option pricing model described above was \$24,465 and was expensed with a corresponding increase to contributed surplus. Assumptions used in the pricing model were: risk free rate of 1.21%, an expected life of the options of 3 years, an annualized volatility rate of 95.9% and a dividend rate of nil.

A summary of the contributed surplus activity is as follows:

	<u>2010</u>	<u>2009</u>
Balance December 31, 2009	\$ 5,429,928	\$ 3,172,590
Fair value of options granted	24,466	2,175,261
Fair value of broker warrants granted	279,127	223,628
Adjustment to contributed surplus related to options exercised	-	(113,519)
Adjustment to contributed surplus related to broker warrants exercised	-	(28,032)
	<hr/>	<hr/>
Balance March 31, 2010	<u>\$ 5,733,521</u>	<u>\$ 5,429,928</u>

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10. Note to the statement of cash flows

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

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Common shares issued for Benjamin River acquisition	\$ -	\$ 23,000
Common shares issued for issuance of debentures	531,743	98,000
Common shares issued for finder's fees on debenture conversion	-	346,653
Common shares issued for interest on LCM debenture	-	17,103
Common shares issued for (gain) loss on LCM debenture conversion	9,175	(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 totalling 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 2001 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 year, 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, 2009, the Company had non-capital losses for tax purposes of \$12,101,085, which may be carried forward to reduce income for tax purposes in future periods. The future tax benefit has not been totally recognized in these financial statements as a result of the valuation allowance. The non-capital losses will begin to expire in 2010.

13. Related party transactions

During the three months, salaries, bonuses, management and consulting fees of \$424,400 (2009 - \$142,869) were paid to directors, officers and companies controlled by common directors. \$21,850 (2009 - \$24,600) was included in mineral properties, \$43,267 (2009 - \$14,700) was included in management fees, and \$355,684 (2009 - \$113,769) was included in salaries. During the three months, \$11,492 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.

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 any act of fraud, dishonesty, deceit or deception by the President of LCM.

15. Segmented information

The Company has two reportable segments: manufacturing and exploration. The manufacturing services segment involves the manufacturing and supply of rare earth based alloys, high purity metals, and ultra-high purity indium. 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.

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15. **Segmented information** (continued)

a) **Business segments**

For the quarter ended March 31, 2010

	<u>Exploration</u>	<u>Manufact- uring Services</u>	<u>Total</u>
Sales	\$ -	\$ 3,886,651	\$ 3,886,651
Cost of sales	-	2,631,265	2,631,265
Gross margin	-	1,255,386	1,255,386
General and administration	204,460	136,468	340,928
Wages and benefits	292,021	419,466	711,487
Stock based incentives	24,465	-	24,465
Property research	(1,671)	-	(1,671)
Professional fees	28,472	34,693	63,165
Investor relations	117,272	-	117,272
Other direct overhead	42,476	315,288	357,764
	707,495	905,915	1,613,410
Loss before interest, taxes, depreciation	(707,495)	349,471	(358,024)
Depreciation	11,137	222,527	233,664
Interest expense	62	117,476	117,538
Interest income	(36,712)	(33,056)	(69,768)
Other income	(32,228)	(1)	(32,229)
Exchange (gain) loss	640	(24,820)	(24,180)
	(650,394)	67,345	(583,049)
Loss before income taxes	(650,394)	67,345	(583,049)
Income tax expense	(27,932)	(94,681)	(122,613)
	(678,326)	(27,336)	(705,662)
Net loss	\$ (678,326)	\$ (27,336)	\$ (705,662)

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15.

Segmented information (continued)

b) Geographic segments

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
Revenue detail		
Canada		
Interest	\$ 36,712	\$ 30,141
Rental	32,228	12,501
Manufacturing	-	-
United States		
Interest	-	-
Rental	-	-
Manufacturing	284,773	104,983
United Kingdom		
Interest	33,056	73,685
Rental	-	-
Manufacturing	3,601,878	2,778,594
	<u>3,988,647</u>	<u>2,999,904</u>
Assets		
Canada		
Cash and other equivalents	5,904,706	130,689
Capital Assets	74,969	1,029,778
Mineral Properties	13,202,116	11,673,547
Investment in Vaaldiam Mining Inc.	300,844	106,875
Goodwill and Intangibles	385,690	385,690
	<u>19,868,325</u>	<u>13,326,579</u>
United States		
Cash and other equivalents	420,664	206,961
Capital Assets	1,083,574	1,461,611
Mineral Properties	6,985,314	6,653,091
	<u>8,489,552</u>	<u>8,321,663</u>
United Kingdom		
Cash and other equivalents	4,171,476	4,725,787
Capital Assets	1,891,008	2,589,778
Goodwill	2,274,463	2,274,463
Intangible assets	1,403,059	1,573,127
	<u>9,740,007</u>	<u>11,163,155</u>
	\$ 38,097,883	\$ 32,811,397

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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.
- 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.

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17. Capital disclosure (continued)

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 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 is contingently liable for any tax that will be payable by subscribers as a result of not incurring \$3,569,574 of qualifying CEE by December 31, 2009. The amount of the liability to the subscribers is undeterminable at this time.

19. Subsequent events

(a) Personnel

On April 22, 2010 the Company announced the appointment of Mr. Russell Grant as Senior Vice-President of Business Development and a Director for Great Western Minerals Group Ltd subject to regulatory approval.

On April 26, 2010 the Company announced the appointment of Mr. Mohamed Madhi to its Advisory Board.

On May 7, 2010 the Company announced the appointment of Mr. Dwight Percy as Manager, Investor Relations for Great Western Minerals Group Ltd.

On May 12, 2010, the Company agreed to a settlement agreement with a former employee of GWTI for \$126,000 USD. This amount was paid on May 18, 2010.

(b) Toyota Tsusho Corporation ("TTC")

On April 1, 2010, the Company announced that TTC will not be proceeding with further exploration activities at the Douglas River and Benjamin River properties at this time. The Letter of Intent, originally announced in the Company's news release of July 21, 2009, has been allowed to expire on March 31, 2010. Under the terms of the original Letter of Intent, the Company and TTC discussed possibilities for the joint exploration and development of the Douglas River and Benjamin River exploration projects.

(c) Cornerstone Capital

On May 19, 2010, the Company announced that it signed a letter of intent with Cornerstone Capital Resources Inc. on the 200 claim Chaleur East property in northern New Brunswick. The Company will make an initial payment of 25,000 shares and guarantees minimum 2010 expenditures of \$50,000,

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19. Subsequent events (continued)

sufficient to maintain the property in good standing. Thereafter, GWMG may elect to make further payments of cash and shares totaling \$100,000 and 200,000 respectively over the next three years and incur additional exploration expenditures totaling \$950,000 in order to earn a 51% interest in the claims. The Agreement also provides that the Company and Cornerstone will enter into a formal joint venture agreement with respect to the interest that the Company may earn with respect to the Chaleur East property.

20. Comparative figures

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