



**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011**

**Dated:** November 28, 2011

Date of Approval Audit Committee  
Final

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**Overview:**

Great Western Minerals Group Ltd. (the "Company") is a Canadian-based company with a goal of pursuing a vertically-integrated business model through its' subsidiaries, Less Common Metals Ltd. ("LCM"), LCMG Limited ("LCMG"), Great Western Technologies Inc. ("GWTI"), and Rare Earth Extraction Co. Limited ("Rareco"). The Company is the ultimate parent.

LCM, located in Birkenhead, United Kingdom, is a leading global manufacturer and supplier of rare earth based alloys, high purity metals, and ultra-high purity indium. GWTI, located in Troy, Michigan, is a manufacturer and producer of specialty alloys, powders and related value added products. Alloys produced by LCM and GWTI include those containing copper, nickel, cobalt and rare earth elements ("REE") used in the aerospace, automobile, industrial, computer and high-tech industries. Refined REE are high-value products used as catalysts and in high-technology applications that utilize the REE unique and exceptional magnetic, optical and electronic properties. In particular, they are critical to many alternative energy applications including fuel cells, rechargeable batteries, hydrogen storage materials and permanent magnets. The automotive industry, and in particular the hybrid vehicle sector, are major consumers of REE.

Rareco is an entity whose primary asset is an investment in Steenkampskraal Monazite Mine Ltd., a REE and thorium deposit at Steenkampskraal (Rareco's past-producing mine site) located 350 km north of Cape Town, which is being refurbished and developed to be in full production in early 2013.

The Company has five rare earth exploration and development properties in North America and an equity control interest in the company that will produce the REE from the Steenkampskraal mine in South Africa.

The following discussion of the financial condition, changes in financial condition and results of operations of the Company for the nine months ended September 30, 2011 should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company as at September 30, 2011.

All amounts shown are in Canadian dollars unless indicated otherwise.

**Overall Performance:**

During the quarter the working capital decreased to \$10,927,408, (Q2 2011 - \$17,734,879). The decrease in working capital was primarily due to the purchase of Rareco shares, exploration expenditures and expenditures for the Steenkampskraal mine site. For the nine months ended September 30, 2011, the Company recorded a net loss of \$10,733,880 or a \$0.029 loss per share (September 30, 2010 - net loss of \$3,292,473 or \$0.014 loss per share).

The Company completed the purchase of all of the outstanding ordinary shares of Rareco in July 2011. The Company now owns 47,764,700 Rareco shares, for total consideration of \$23,265,482.

## **Manufacturing assets:**

### ***Less Common Metals***

On June 27, 2008, the Company, through LCMG, a newly incorporated wholly owned United Kingdom subsidiary, acquired all of the issued and outstanding shares of common stock of LCM, a corporation domiciled in Birkenhead, United Kingdom for a purchase price of \$9,660,433. Details of the purchase can be found in the Company's Annual Information Form dated December 31, 2009.

LCM has been in business since 1992, manufacturing REE 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.

The main market for LCM is permanent magnet manufacturers. LCM produces neodymium-iron-boron ("NdFeB") and samarium-cobalt ("SmCo") alloys for the permanent magnet industry.

In April 2011, LCM signed a long term co-operation agreement with Aichi Steel Corp. ("ASC") of Japan. ASC is a part of the Toyota Group of Companies. The co-operation agreement allows for the long-term supply of NdFeB alloys produced by LCM using rare earth oxides to be produced at the Steenkampskraal mine in South Africa. A doubling of the planned capacity at LCM is currently under way as the first phase of expansion to facilitate near-term demand from ASC. A further phased expansion program has already been designed to accommodate the projected expansion of ASC alloy demand in future.

In September 2011, GWMG signed a non-binding letter of intent to enter into a long-term agreement with Vacuumschmelze GmbH & Co. KG ("VAC") of Germany for the supply of rare earth alloys and metals. The letter of intent specifies that VAC commits to purchasing a minimum of 50 per cent of its rare earth material needs from GWMG.

VAC, the only sintered NdFeB (neodymium-magnet) permanent magnet producer for mass volumes in Europe, has developed proprietary materials and processes to produce one of the world's most powerful types of permanent magnets for VAC's customers in Europe, the United States and Asia.

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

In business since 2005, GWTI, located in Troy, Michigan, operates two adjacent plants, 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.

GWTI has been operating primarily as a "job" shop for companies doing research and development. All of its work has been for US-based companies and government organizations.

The industries that GWTI supplies products to include NiMH rechargeable battery manufacturers, magnet manufacturers, the aerospace industry and military applications. The products produced by GWTI are alloys in either powder or metal form.

## Mineral properties:

	Douglas River	Hoidas Lake	Steenkam- pskraal	Benjamin River	Red Wine	Chaleur	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance</b>								
<b>Dec 31, 2010</b>	<b>1,047,794</b>	<b>11,861,419</b>	<b>1,435,914</b>	<b>968,928</b>	<b>1,594,375</b>	<b>112,537</b>	<b>8,590</b>	<b>17,029,557</b>
<b>Expenditures</b>								
Acquisition	-	-	24,301,861	-	800,000	10,962	-	25,112,823
Pre-feasibility	-	-	104,282	-	-	-	-	104,282
Geology	110,550	-	-	140,570	4,537	835	84,641	341,133
Exploration	227,896	224,613	809,481	85,300	290,168	41,025	548,038	2,226,521
Write downs	-	-	-	-	-	(165,359)	-	(165,359)
<b>Balance</b>								
<b>Sep 30, 2011</b>	<b>1,386,240</b>	<b>12,086,032</b>	<b>26,651,538</b>	<b>1,194,798</b>	<b>2,689,080</b>	<b>-</b>	<b>641,269</b>	<b>44,648,957</b>

## **Mineral property updates:**

### ***Douglas River Project***

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

The 2011 exploration program was carried out in May and June. During this time several sampling and prospecting programs were run concurrently. The bulk of the exploration activities focused on the Beatty River property, due to the success of last year's prospecting program, but 3 days were also spent at Douglas River following up on some anomalous results of last year's orientation surveys.

At Beatty River, biogeochemical sampling was extended to cover the entire claim block, with a sample spacing of 50m on lines spaced 100m apart. In total 1226 soil samples and 1630 biogeochemical samples were collected as part of this large scale survey. A smaller, more detailed biogeochemical survey was completed over the area of known mineralization to try and refine the anomalous area detected in 2010. As part of this small survey 93 Jack Pine samples were collected.

Also completed on the Beatty River claims was additional till and MMI sampling. The additional till sampling consisted of 63 tills which now cover the northern and western parts of the project area. The additional MMI sampling was completed to allow for a more complete comparison between the MMI and biogeochemical results of 2010.

A drill program, totaling 18 holes was completed at Beatty River. The majority of the drilling tested for continuation of the mineralization along strike from the trenches. A minor number of these holes test other targets, such as testing for the presence of shallow mineralization in the vicinity of the 2010 diamond drill holes which may have been lost while placing the casing. These holes have not yet been logged.

Results of the 2011 work program are pending.

### ***Hoidas Lake Rare Earth Project***

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

The property comprises 14 mineral claims totaling 12,522 ha, and covers over 30 known REE showings.

During 2010 metallurgical work commenced with the Guangzhou Research Institute for Non-Ferrous Metals, in Guangzhou, China. The focus of this work was to optimize concentrate grade and recovery. Because of positive results of that testwork, in March 2011, a bulk sample of Hoidas Lake mineralization was sent to the laboratory in Guangzhou and mini-pilot plant scale testwork commenced. This work is ongoing and represents the final phase of metallurgical testwork.

In May 2011, Barr Engineering Co. was contracted to update the NI 43-101-compliant Technical Report on Hoidas Lake, originally filed on SEDAR in November 2009.

### ***Deep Sands Project***

The Company holds a 25% interest in REE contained in a heavy mineral sands project in Utah covering an area of approximately 66 square miles (170 sq km). The vendor holds the remaining 75% interest in the REE 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.

After considering the test results in 2010 and analyzing the recoverability of the exploration costs spent on the project, management was of the opinion that the capitalized exploration costs were not recoverable at this time. Management has no plans to pursue exploration on this property, and in 2010 wrote off all costs relating to the property aggregating \$7,055,834.

However, the initial premise of the project was that REE would be recovered as a by-product of a magnetite mining operation and that potential still exists. There are two areas of the property that still have not been adequately tested and Titan Mining Corp. have indicated they will be doing that as well as following up on prospective areas indicated by the 2008 drilling program. Discussions will take place with Titan Mining about any future exploration on the property.

### ***Steenkampskraal Project***

On December 22<sup>nd</sup>, 2008, the Company entered into an option agreement (the "Option Agreement") with Rare Earth Extraction Co. Ltd. ("Rareco") of Stellenbosch, South Africa, to refurbish, re-commission, and operate the then abandoned Steenkampskraal underground REE mine in the Western Cape, South Africa (the "Steenkampskraal Mine"). In addition, the Company would under certain circumstances be able to procure 100% of the REE mined at the Steenkampskraal Mine ("Supply Agreement").

Under the terms of the Option Agreement, the Company 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 Option Agreement and the second payment of ZAR 500,000 was paid during the third quarter of 2009.

On February 3, 2010, the Company and Rareco entered into an Exclusivity Agreement whereby the Company paid monthly to Rareco R75,000 which was increased in April 2010 to R100,000 in return for specific undertakings which included, but was not limited to: (a) working with the Department of Mineral Resources of South Africa ("DMR") to expedite the conversion of the old order mining right to a new order mining right, which has been completed; (b) obtaining all necessary governmental and regulatory approvals required to operate the Steenkampskraal Mine once the "new order" mining license is issued; (c) financing the rehabilitation guarantee required by the DMR in respect of the Steenkampskraal Mine; and (d) facilitating the receipt of all necessary governmental and regulatory approvals for the Company's involvement in the ownership structure of the project.

On June 3, 2010 the DMR granted a New Order Mining Right to a subsidiary of Rareco with respect to the Steenkampskraal Mine. Subject to the Company's completion of satisfactory due diligence and other conditions, in addition to entering into the Supply Agreement, the Company agreed to undertake 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, the Company intended to consider one or more transactions which was to result in the acquisition of an equity interest in Rareco.

On June 9, 2010, the Company announced the appointment of SRK Engineers and Scientists of Johannesburg, South Africa to complete a feasibility study on the Steenkampskraal project and approved Phase 1 of that study.

On August 10, 2010, the Company entered into the Offtake Agreement. Under the terms of the Offtake Agreement, Rareco agreed to sell and deliver, and the Company agreed to purchase, 100% of the REE produced by Rareco and its subsidiaries from ore mined at Rareco's Steenkampskraal Mine for a 10 year period after which a new offtake agreement will be negotiated, subject to the satisfaction of certain conditions precedent. In addition, the Company can purchase 100% of the REE mined or obtained by Rareco or its subsidiaries. The conditions precedent included, but were not limited to, completing a bankable feasibility study ("BFS") by December 31, 2011 and arranging project financing. Pursuant to the

terms of the Offtake Agreement, the Company could undertake one or more transactions which would result in the acquisition of an equity stake in Rareco or the provision of debt financing to Rareco.

During the fourth quarter of 2010 and the first quarter of 2011 the Company purchased 44,218,009 of the 47,764,700 issued and outstanding shares of Rareco, for a purchase price of \$17,344,470. This represents 92.6% of the outstanding shares of Rareco. This purchase was originally recorded in December 31, 2010 financial statements as an investment due to the investment being less than a controlling interest in Rareco. In the first quarter of 2011 the Company acquired enough shares to have a controlling interest and therefore the financial statements for the quarter ended March 31, 2011 shows the investment as an addition to mineral properties for the value of the purchase. Also for the quarter ended March 31, 2011 the balance of Rareco shares not owned by the Company are disclosed as a minority interest on the financial statements.

Rareco owns a 74% equity interest in the Steenkampskraal Monazite Mine Ltd. ("SMM"), the company that is set to develop and produce REE oxides at the Steenkampskraal mine property. The balance of 26% of SMM is held by the Steenkampskraal Workers Trust, a Black Empowerment entity established to comply with the South African Minerals Resource Development Act of 2002.

On May 6, 2011 the Company received full approval for its current work program, under SMM's Nuclear License issued in 1994, for the Company's Steenkampskraal Rare Earths project, from the South African National Nuclear Regulator ("NNR"). The approvals cover programs including radiation protection, integrated waste management (including the long-term storage of radioactive material), and the transportation of radioactive material. These approvals enable the Company to commence the refurbishment of the former-producing mine site and to undertake exploration and confirmatory drilling at site.

In June 2011, East Rand Engineering Services of South Africa were contracted for shaft refurbishment. Included is the refurbishment of the mine access decline, construction of winding gear, installation of dewatering pumps at the 31/2 level and the refurbishment of the ore bin. Additionally, all infrastructure services will be installed throughout the underground mine area. This work is well underway.

In July 2011, DRA Mineral Projects (Pty.) Ltd. of South Africa, was selected for the detailed design of the Steenkampskraal processing plant. The processing plant, as the first step in the production process in which rare earth ore is converted into rare earth chlorides, will be located at the Steenkampskraal mine site. The plant detailed design project is expected to be completed by December, 2011.

Also in July 2011, the Company negotiated a heads of terms with Ganzhou Qiandong Rare Earth Group Ltd. ("GQD") of China to build a rare earth separation plant in South Africa, located in proximity to GWMG's Steenkampskraal operation. A new joint venture company, Great Western GQD Rare Earth Materials Co. Ltd., will be created in which GWMG will hold 75-per-cent ownership while GQD will hold the remaining 25-per-cent.

Great Western GQD Rare Earth Materials Co. Ltd. will be responsible for the design, manufacture, construction, commissioning and operation of the planned separation facility. It is anticipated that the separation plant will be fed with rare earth chloride that GWMG produces at its Steenkampskraal monazite mine and/or with feedstock from sources in the region.

In September 2011, drilling from surface for grade confirmation, metallurgical testwork for plant design and for exploration commenced. Both diamond and reverse circulation drills are being utilized. The goal of the current drill program is to confirm and expand the historical resources.

An initiative is also underway to identify other monazite sources that could potentially serve as additional feedstock for the Steenkampskraal operation.

#### ***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 January 2009) of the Company and

subsequent payments of \$10,000 on November 30, 2009 (paid), \$30,000 on November 30, 2010 (paid), \$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 now covers 514 claim units totaling approximately 11,848 hectares (ha) over an area underlain by Silurian volcanic rocks of the Chaleur Group which have been intruded by two small gabbro-granite plutonic complexes of probable Devonian age. Cross cutting the eastern contact of the Dickie Brook Intrusive Complex is an apatite-diopside-magnetite pegmatitic dyke set which can be traced along strike for at least 300 metres and with an apparent combined width of at least 225 metres. The dyke consists of predominantly clinopyroxene (diopside, 50-90%), with lesser amounts of very coarse grained, euhedral apatite (5-25%). Magnetite (2-10%) occurs both disseminated and in veinlets.

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 (Fe<sub>2</sub>O<sub>3</sub>) 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.

Assays from the drilling were received in mid-2010 and the results failed to duplicate the surface trench results.

In spring 2011, a large biogeochemical survey was completed over two other areas of interest on the property: the Landry Brook and Dickie Brook intrusions. Initial results of this survey identified a large polymetallic anomaly in one area but complete results are still pending.

### ***Red Wine Project***

The Company entered into an option agreement (the "Red Wine Agreement") to acquire up to a 50% working interest in Alterra Resources Inc's (Alterra) 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 Red Wine Agreement, the Company will pay an aggregate of \$225,000, with \$50,000 payable on the date of the execution of the letter agreement (the "Letter Agreement") which was paid May 7, 2010, \$75,000 payable on or before April 30, 2011 (paid) 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 (issued) 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 \$750,000 was 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.

In June 2011, the Company announced that it had met its work commitment obligations and intended to accelerate its earn-in for a 50% working interest in the property by issuing the last instalment of 500,000 common shares and making a \$100,000 cash payment. The two companies will now enter into a formal joint venture agreement which is being drafted.

To date, six rare earth-bearing mineralized showings have been outlined on the property. The six showings are termed Cabernet, Pinot Rose, Malbec, Zinfandel, Shiraz and Merlot. The main rare earth-bearing mineral is eudialyte. The showings range from 200 m to 1,300 m in length and are from 5 m to 60 m in width. Channel samples, using a diamond saw, were taken in 17 locations and 245 samples collected. These are out for assay and results are pending.

In September and October of 2010 10 drill holes (1,890m) tested the Cabernet and Pinot Rose showings.

### Cabernet Showing

At the Cabernet showing, five drill holes (1009 m) tested the mineralization. Drill holes CB01, CB02 and CB05 are approximately 100 m apart. CB03 is along strike and approximately 400 m to the SW. CB04 is a further 400 to the SW wing. Two types of mineralization were observed in drill core and analytical results for some mineralized core intervals are listed in the table below. Type 1 mineralization comprises disseminated eudialyte and eudialyte pods and veins in syenitic and pyroxenitic gneisses. Type 2 mineralization is characterized by an absence of eudialyte, and the mineralization present comprises disseminated, unidentified REE minerals in amphibole-pyroxene-nepheline gneiss.

RED WINE DRILL PROGRAM-CABERNET SHOWING												
Hole No.	CB-03		CB-05		CB-01		CB-02		CB-05		CB-03	
Mineralization	Type 1		Type 1		Type 2		Type 2		Type 2		Type 2	
Interval (m)	3.6-13.3		36.6-45.6		158.6-162.6		56.6-62.2		124.2-128.45		77.85-80.3	
Core Length (m)	9.7		9.0		4.0		5.6		4.3		2.5	
	REE (ppm)	REO (ppm)	REE (ppm)	REO (ppm)	REE (ppm)	REO (ppm)	REE (ppm)	REO (ppm)	REE (ppm)	REO (ppm)	REE (ppm)	REO (ppm)
Zr	7,772.7		8,642.0		941.3		1,675.1		1,475.1		907.5	
Nb	147.6		158.3		50.8		56.6		94.1		44.6	
La	315.0	369.5	384.1	450.4	2,120.0	2,486.3	1,379.7	1,618.0	1,896.5	2,224.1	889.2	1,042.8
Ce	680.6	836.0	888.5	1,091.4	4,827.5	5,930.0	3,056.3	3,754.2	3,898.2	4,788.5	1,614.3	1,982.9
Pr	94.2	113.9	106.8	129.1	600.5	725.5	421.3	509.0	477.6	577.0	196.8	237.8
Nd	407.2	474.9	435.6	508.1	2,455.0	2,863.5	1,798.2	2,097.4	1,978.2	2,307.4	807.5	941.9
Sm	93.9	108.9	102.9	119.4	472.8	548.2	359.7	417.1	384.5	445.8	155.7	180.5
Eu	12.4	14.4	14.9	17.3	53.2	61.6	40.8	47.3	47.6	55.2	17.3	20.1
Gd	97.1	111.9	101.4	116.8	462.0	532.5	332.6	383.4	381.6	439.8	150.6	173.6
Tb	20.6	24.2	21.0	24.7	84.1	98.9	62.7	73.7	80.0	94.1	30.1	35.4
Dy	131.2	150.6	137.1	157.3	550.3	631.5	428.6	491.9	530.6	609.0	197.7	226.9
Ho	27.7	31.8	29.4	33.7	120.0	137.2	88.3	101.1	115.7	132.6	43.0	49.3
Er	82.1	93.9	86.2	98.5	349.3	399.4	278.0	317.9	350.6	401.0	136.6	156.2
Tm	12.2	14.0	13.2	15.1	48.6	55.5	40.4	46.1	51.6	59.0	20.8	23.7
Yb	73.4	83.6	78.9	89.9	280.0	318.5	245.3	279.3	301.0	342.7	123.8	140.9
Lu	10.3	11.7	11.3	12.9	36.7	41.8	30.8	35.0	38.8	44.1	16.6	18.9
Y	751.8	954.8	786.7	999.0	3,450.5	4,381.9	2,709.7	3,441.2	3,408.1	4,328.0	1,294.2	1,643.5
TREE/TREO	2,809.7	3,393.9	3,198.0	3,863.7	15,910.5	19,212.2	11,272.4	13,612.8	13,940.6	16,848.2	5,694.2	6,874.4
LREE/LREO	1,590.9	1,903.2	1,917.9	2,298.4	10,475.8	12,553.4	7,015.2	7,015.2	8,635.0	10,342.8	3,663.5	4,386.0
HREE/HREO	1,218.8	1,490.7	1,280.1	1,565.3	5,434.7	6,658.8	4,257.2	4,257.2	5,305.6	6,505.4	2,030.7	2,488.4
%HREE/HREO	43.4	43.9	40.0	40.5	34.2	34.7	37.8	37.8	38.1	38.6	35.7	36.2

Notes:

TREE/TREO include all the lanthanides, La through Lu plus Y.

LREE/LREO include the lanthanides La through Sm.

HREE/HREO include the lanthanides Eu through Lu plus Y.

### Pinot Rose Showing

An additional five exploration holes (-45° angle, 881 m) were drilled at the Pinot Rose REE-Zr-Y showing, where eudialyte-bearing veins and pods (mineralization type 1) occur at surface in syenitic gneisses. Similar small veins and pods were observed at depth in association with disseminated eudialyte mineralization, which occurs in zones from 6.2 to 13.4 m thick. The results were not as encouraging as the drilling at Cabernet, with the best results yielding 154 ppm Dy, 6061 ppm Zr, 810 ppm Y and 2669 ppm TREE (0.35% Y+TREE) over 11.8 m of disseminated mineralization with some small eudialyte-enriched veins.

Three metallurgical samples (each approximately 20 kg from channel sampling) have been collected and sent to Xstrata for metallurgical/mineralogical studies. Two samples have been collected from the Cabernet showing, one being from eudialyte-bearing mineralization (Type 1) and the second from eudialyte-absent mineralization (Type 2). The third sample was collected from eudialyte-bearing mineralization (Type 1) at the Malbec showing, which is 1 km northwest of the Cabernet showing.

Exploration work will continue later in 2011 and includes diamond drilling.

### ***Chaleur Project***

The Company signed a letter of intent ("LOI") 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, sufficient to maintain the property in good standing. Thereafter, the Company 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 LOI 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.

On February 11, 2011, the Company signed an agreement (the "Cornerstone Agreement") with Cornerstone Capital Resources Inc. which modified the original LOI. Under the terms of the Cornerstone Agreement, the size of the subject property has increased from 200 mineral claims to 380 claims and, as a result, the underlying payment and work commitments have been revised. The Company fulfilled its initial commitments under the Cornerstone Agreement by issuing to Cornerstone 25,000 shares and expending a minimum of \$50,000 on exploration. Upon execution of the option agreement, the Company made a cash payment to Cornerstone of \$35,000 and issued an additional 40,000 shares following receipt of regulatory approval. The Company may elect to make further payments of cash and shares totaling \$75,000 and 340,000 respectively during the next three years and incur additional exploration expenditures totaling \$1,350,000. The parties will then form a joint venture to further explore and develop mineral resources on the property. The Company is operating the exploration programs during the option period in conjunction with their on-going Benjamin River REE project located adjacent to the Chaleur property

During 2010 the Company completed exploration programs on two separate project areas on the Chaleur property: i) Claim Group 5323 (200 claims); and ii) Claim Group 5720 (180 claims). Exploration work included reconnaissance geological mapping, prospecting, mobile metal ion (MMI) soil geochemistry surveys and follow up bedrock chip sampling.

The MMI soil samples were collected at a grid spacing of 50 m x 100 m, and focused on areas where previous work by Cornerstone had identified anomalous REE concentrations in outcrop and stream sediment samples. A total of 819 MMI soil samples were collected over the east-central portion of Claim Group 5323, and 564 samples were collected over the southern portion of Claim Group 5720. With the exception of several isolated anomalies, the majority of MMI REE anomalies are concentrated along the banks and flood plains of streams and brooks. On Claim Group 5720, rock chip sampling of rhyolite outcrops exposed along the banks of two streams immediately above the MMI soil anomalies did not return significant REE values. Planned exploration work during 2011 will focus on identifying the source of the MMI soil anomalies utilizing more detailed geochemistry surveys, geological mapping and prospecting.

Subsequent to modifying the original Letter of Intent, the results of the 2010 work were received, compiled and interpreted. Based on this analysis it was determined that the project did not warrant further work and the agreement with Cornerstone was terminated. Management has no plans to pursue the exploration on this property, and in 2011 wrote off all costs relating to the property aggregating \$165,359.

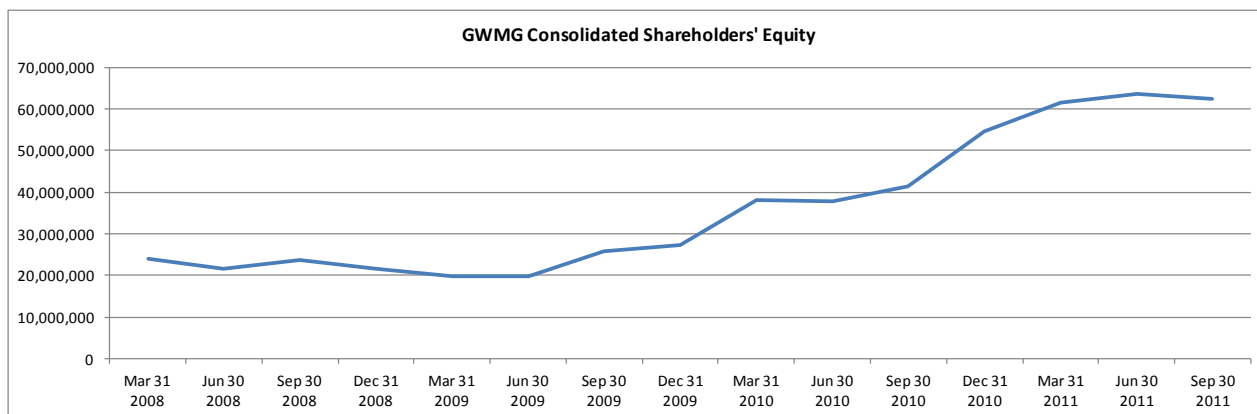
**Additional historical information on the Company's mineral properties can be found on the GWMG website [www.gwmg.ca](http://www.gwmg.ca).**

## Financial Highlights:

### Summary of Financial Data

The following table presents consolidated financial data for the years ended December 31, prepared as noted below: (note 2011 is Q1, Q2 and Q3 results only):

	2011 (IFRS) (9 months)	2010 (IFRS)	2009 (GAAP)	2008 (GAAP)
	\$	\$	\$	\$
Sales	13,630,390	15,139,682	11,994,734	6,915,250
Cost of sales	8,995,153	10,648,831	8,959,487	5,081,003
Gross margin	4,635,237	4,490,851	3,055,247	1,834,247
Gross margin ratio	34.0%	29.7%	25.3%	26.5%
Overhead expenses	14,002,759	10,206,079	8,301,043	5,563,248
Net loss	(10,733,880)	(16,333,285)	(6,954,975)	(5,148,544)
Net loss per share	(0.029)	(0.062)	(0.042)	(0.032)
Capital Expenditures	23,242,644	10,768,635	1,591,388	3,727,072
Total assets	66,609,311	59,215,596	33,056,043	33,381,988
Long-term liabilities	653,453	748,807	1,038,504	1,882,569
Shareholders' equity	62,403,022	54,725,403	27,253,605	21,450,043
Equity per share	0.163	0.209	0.166	0.147
Cash dividends	nil	nil	nil	nil



### Results of Operations

For the nine months ended September 30, 2011, the Company recorded a net loss of \$10,733,880 or a \$0.029 loss per share, compared to a net loss of \$3,292,473 or \$0.014 loss per share for the nine months ended September 30, 2010.

The Company's cash position was \$5,318,610 at September 30, 2011, compared to \$1,906,319 at September 30, 2010.

Capital expenditures for the nine months ended September 30, 2011 were \$23,242,644 for mineral property additions, capital asset purchases and the purchase of Rareco shares, compared to \$6,808,295 at September 30, 2010.

### Sales

Revenue increased \$3,016,736 (28.4%) to \$13,630,390 as at September 30, 2011, compared to \$10,613,654 at September 30, 2010. The increases were primarily from service revenues. This increase reflects the increase in market value and volume of the finished products in the alloy making process.

### **Processing Operations**

Cost of sales increased \$1,527,172 (20.5%) to \$8,995,153 as at September 30, 2011, compared to \$7,467,981 at September 30, 2010. This increase was primarily a result of increases in raw material costs.

Gross margin increased \$1,489,564 (47.4%) to \$4,635,237 as at September 30, 2011, compared to \$3,145,673 at September 30, 2010. The gross margin percentage at September 30, 2011 was 34.0%, compared to 29.6% at September 30, 2010.

Overhead expenses increased \$8,476,338 (153.4%) to \$14,002,758 as at September 30, 2011, compared to \$5,526,420 at September 30, 2010. The increase resulted primarily from issuance of stock option certificates to employees and contractors in 2011.

### **Quarterly Comparison:**

#### **Summary of Quarterly Results**

The following table represents selected financial information for the twelve most recently completed quarters, prepared as noted below:

<b>2011</b>		<b>Q3 (IFRS)</b>	<b>Q2 (IFRS)</b>	<b>Q1 (IFRS)</b>	
Total revenues		4,215,250	5,178,295	4,236,890	
Net Loss		(3,880,481)	(3,613,712)	(3,229,428)	
Loss per share		(0.010)	(0.010)	(0.009)	
<b>2010</b>		<b>Q4 (IFRS)</b>	<b>Q3 (IFRS)</b>	<b>Q2 (IFRS)</b>	<b>Q1 (IFRS)</b>
Total revenues		4,692,380	3,380,863	3,179,788	3,886,651
Net Loss		(13,036,105)	(1,089,788)	(1,501,730)	(705,662)
Loss per share		(0.049)	(0.004)	(0.006)	(0.003)
<b>2009</b>		<b>Q4 (GAAP)</b>	<b>Q3 (GAAP)</b>	<b>Q2 (GAAP)</b>	<b>Q1 (GAAP)</b>
Total revenues		2,688,726	3,132,227	3,173,876	2,999,905
Net Loss		(3,917,318)	(1,094,992)	(1,166,639)	(776,026)
Loss per share		(0.023)	(0.007)	(0.008)	(0.004)
<b>2008</b>		<b>Q4 (GAAP)</b>			
Total revenues		2,535,696			
Net Loss		(3,693,690)			
Loss per share		(0.032)			

### **Assets and Liabilities**

Current assets decreased \$7,399,166 to \$14,480,246 in Q3 2011 compared to \$21,879,412 in Q2 2011.

Current liabilities increased by \$591,696 to \$3,552,837 in Q3 2011 compared to \$4,144,533 in Q2 2011.

Mineral property assets increased \$5,159,194 to \$44,648,957 in Q3 2011 compared to \$39,489,763 in Q2 2011, primarily due to acquisition of the Rareco property.

### **Liquidity and Capital Resources**

During the period the working capital decreased to \$10,927,408 compared to \$17,734,879 in Q2 2011. The decrease in working capital arose primarily due to the purchase of Rareco shares.

Inventory at the end of Q3 2011 was \$697,741 more than at the end of Q2 2011 reflecting increased production at the Company's manufacturing locations.

### **Cash Flow**

The Company's cash position, including cash in trust, decreased \$6,878,602 in Q3 2011 compared to Q2 2011 primarily due to the purchase of Rareco shares and the increase in exploration expenditures.

## Outstanding Share Data:

### Share capital

The Company has an unlimited number of common shares, without par value, authorized for issuance.

	<u>Common Shares</u>	
	<u>Number of</u>	<u>Amount</u>
	<u>Shares</u>	<u>\$</u>
Balance – January 1, 2010	201,160,118	47,679,900
Shares issued:		
for mineral properties	550,000	100,875
for placements	134,968,542	29,938,568
on conversion of debentures	3,637,759	727,552
for commitment fee	2,500,000	1,012,500
for special purchase warrants	9,861,371	-
on exercise of warrants	1,589,640	431,457
on exercise of options	1,300,000	371,475
cash issue costs	-	(1,904,679)
non-cash issue costs	-	(1,558,598)
	<u>355,567,430</u>	<u>76,799,050</u>
Balance – December 31, 2010	355,567,430	76,799,050
Shares issued:		
for mineral properties	890,000	685,500
for placements	409,786	300,000
on exercise of warrants	24,851,425	13,878,952
on exercise of options	1,855,100	520,090
cash issue costs	-	(46,253)
	<u>383,573,741</u>	<u>92,137,339</u>
<b>Balance – Sep 30, 2011</b>	<b><u>383,573,741</u></b>	<b><u>92,137,339</u></b>

\*The weighted average number of basic shares outstanding at September 30, 2011 was 370,965,504. The number of shares outstanding at September 30, 2011 was 383,573,741. The number of warrants and broker warrants outstanding at September 30, 2011 was 62,154,361 and the number of options outstanding at September 30, 2011 was 31,235,000.

**Stock Options**

Total options outstanding as of September 30, 2011 are as follows:

<u>Expiry Date</u>	<u>Price</u>	<u>Outstanding 2010</u>	<u>Granted</u>	<u>Exercised</u>	<u>Relinquished /Lapsed</u>	<u>Outstanding 2011</u>
April 18, 2011	0.18	600,000		100,000		500,000
September 20, 2011	0.18	350,000		225,100	24,900	100,000
August 3, 2012	0.18	1,125,000		35,000	35,000	1,055,000
October 5, 2012	0.18	650,000		100,000		550,000
October 20, 2012	0.405	100,000				100,000
December 4, 2012	0.18	100,000				100,000
January 27, 2013	0.35	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		100,000		150,000
October 31, 2013	0.20	3,075,000		600,000	25,000	2,450,000
February 10, 2014	1.05		1,500,000			1,500,000
July 27, 2014	0.18	950,000				950,000
November 9, 2014	0.35	7,075,000		375,000	100,000	6,600,000
June 15, 2015	0.20	3,250,000		250,000		3,000,000
October 20, 2015	0.405	400,000				400,000
December 1, 2015	0.40	600,000				600,000
December 29, 2015	0.50	5,000,000				5,000,000
January 13, 2016	0.61		4,670,000	70,000	70,000	4,530,000
March 15, 2016	0.69		1,800,000		400,000	1,400,000
June 3, 2016	0.73		450,000			450,000
July 6, 2016	0.80		850,000			850,000
July 21, 2016	0.85		350,000			350,000
		<b><u>24,125,000</u></b>	<b><u>9,620,000</u></b>	<b><u>1,855,100</u></b>	<b><u>654,900</u></b>	<b><u>31,235,000</u></b>

## Warrants

Total warrants and broker warrants outstanding as of September 30, 2011 are as follows:

<u>Expiry Date</u>	<u>Price</u>	<u>Outstanding 2010</u>	<u>Granted</u>	<u>Exercised</u>	<u>Relinquished /Lapsed</u>	<u>Outstanding 2011</u>
<u>Warrants</u>						
June 27, 2011	0.30	750,000		750,000		-
October 31, 2011	0.10	172,387		35,131		137,256
December 16, 2011	0.10	2,083,333		2,083,333		-
March 19, 2012	0.10	519,944				519,944
October 31, 2011	0.15	202,386		65,131		137,255
December 16, 2011	0.15	2,083,332		2,083,332		-
March 19, 2012	0.15	519,944				519,944
November 6, 2014	0.50	4,482,439		1,142,285		3,340,154
January 25, 2015	0.50	14,374,998		5,910,049		8,464,949
October 19, 2012	0.45	<u>53,030,303</u>		<u>11,531,580</u>		<u>41,498,723</u>
		<u>78,219,066</u>	<u>-</u>	<u>23,600,841</u>	<u>-</u>	<u>54,618,225</u>
<u>Broker Warrants</u>						
August 25, 2011	0.18	52,500		52,500		-
November 6, 2011	0.28	358,084		198,084		160,000
January 25, 2012	0.28	2,012,500		1,000,000		1,012,500
October 19, 2012	0.45	<u>6,363,636</u>				<u>6,363,636</u>
		<u>8,786,720</u>	<u>-</u>	<u>1,250,584</u>	<u>-</u>	<u>7,536,136</u>

## Related party transactions:

During the year, \$137,310 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. All outstanding balances are settled in cash by their due dates.

During the year, \$890,910 was paid in salaries, bonuses, management and consulting fees to directors, officers and companies controlled by common directors.

During the year, \$6,355 in sales occurred between subsidiaries of the Company and interest of \$232,311 was paid between subsidiaries. Terms and conditions are the same as parties dealt with at arm's length.

During the year, \$171,000 was paid as an employee loan. Terms of the loan involve full repayment by September 5, 2014 with interest payable monthly.

During the year, 100,000 stock options were issued to officers of the Company.

## 2011 Business Developments:

### *Acquisitions and divestitures,*

Rareco is an entity whose primary asset is an investment in a project to produce REE and thorium at the Steenkampskraal mine in South Africa.

The Company purchased 10,000,000 ordinary shares of Rareco in the third quarter of 2010 at a cost of \$3,518,451. On November 18, 2010, the Company delivered a notice to the board of directors of Rareco confirming its intention to make an all-cash offer to the registered shareholders of Rareco to purchase up to all of the 37,764,700 Rareco

shares not already held by the Company at a price of ZAR3.00 per share. In December of 2010, an additional 4,621,977 ordinary shares of Rareco were purchased at a cost of \$1,983,101.

At the offer closing date of February 28, 2011, the Company had purchased an additional 29,596,032 Rareco shares for consideration of \$11,842,918 and now has received and paid for 44,218,009 of the 47,764,700 Rareco shares outstanding at November 18, 2010, the date of the original offer to purchase, for total consideration of \$17,344,470. This represents 92.6% of the outstanding ordinary shares of Rareco.

The Company took actions, as majority shareholder, and in compliance with South African Corporate Law and Regulations, to complete the sale of the remainder of the outstanding shares of Rareco, being 3,546,691 shares. In July 2011, the Company successfully acquired 100% of the outstanding shares of Rareco.

### **Critical Accounting Estimates:**

The Company's consolidated financial statements for the period ended June 30, 2011 have been prepared in accordance with IAS 34 using accounting policies consistent with IFRS issued by the IASB and interpretations of IFRIC. The Company's accounting policies are described in Note 3 in the unaudited quarterly interim financial statements for the period June 30, 2011. Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. The uncertainties related to these areas could significantly impact the Company's results of operations, financial condition and cash flows.

#### ***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 properties within Canada, the United States and South Africa.

The cost of mineral properties and related exploration and development costs are capitalized 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 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.

### **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.

- **Political Risk Factors**

The Company has foreign operations in the United Kingdom, the United States and South Africa and there is the potential for political and economic risks that are different from comparable risks in Canada. The Company is aware that these potential risks are present and has and will continue to work to stay informed of any circumstances that may impact the value of the international investments.

- **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 sixteen employees who manage its affairs with the assistance of its non-executive directors and independent consultants. GWTI has eight employees, including management. LCM has twenty four employees, including management, at their office in Birkenhead, UK. Rareco has six employees, including management, in the office in South Africa. 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 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 REE industry is currently largely controlled by production from China.

#### **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 the Company 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 the Company'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 determined that 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.

### **International Financial Reporting Standards (IFRS):**

The Company has converted our basis of accounting from Canadian GAAP to IFRS effective for our first quarter report in 2011. The transition date of January 1, 2010 requires the conversion, for comparative purposes, of our previously reported balance sheets as at December 31, 2009 and December 31, 2010 and our interim and annual consolidated statements of income and cash flows for 2010 from Canadian GAAP to IFRS. The Company has provided a detailed explanation of the impacts of this transition in Note 20 of the Company's financial statements for the period ended June 30, 2011.

This change will bring our basis of reporting in line with the other mining companies that already report their results in accordance with IFRS, and therefore the conversion to IFRS will improve the comparability of our financial performance to these companies.

On transition to IFRS, the Company has adopted a policy whereby proceeds from flow-through issuance are allocated between the offering of shares and the sale of tax benefits based on the difference between the fair value of the shares issued and the amount the investor pays for the shares. A flow through share liability is recognized for this difference and is extinguished by recognizing an income tax recovery when the entity renounces the tax deductions.

Previously, the Company's Canadian GAAP policy was to adopt the recommendations of Emerging Issues Committee ("EIC") 146 with respect to the accounting for flow-through shares. This resulted in the Company reducing the net proceeds of the flow-through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow-through share subscribers.

All previously unrecognized amounts of flow-through share liabilities that had been fully renounced were reclassified from share capital to accumulated deficit amounting to \$1,532,455 as at January 1, 2010.

In accordance with IFRS 1, the Company has elected to deem all foreign currency translation differences that existed at the date of transition to IFRS in respect of all foreign entities to be zero at the date of transition. The effect was to increase foreign currency translation (other components of equity) and to decrease retained earnings by \$548,707 at January 1, 2010.

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

#### Cumulative translation differences

IAS 21, *The Effects of Changes in Foreign Exchange Rates*, would require the Company to calculate currency translation differences retrospectively, from the date a subsidiary or associate was formed or acquired. IFRS 1 provides the option of resetting cumulative translations gains and losses to zero at the transition date. The Company elected to reset cumulative translations losses to zero through opening cumulative deficit at the transition date.

#### Share-based payments

The Company has elected to not apply IFRS 2 *Share-based payments* retrospectively to share-based payments that have fully vested at the transition date and therefore no transitional adjustment is required. The Company had no settled share-based payments that had not vested and as such at transition an insignificant amount was recognized at the date of transition.

#### Business combinations

The application of IFRS 3, *Business Combinations* ("IFRS 3"), requires the restatement of all past business combinations in accordance with IFRS 3. IFRS 1 provides the option to apply IFRS 3 prospectively from the transition date, or from a particular pre-transition date elected by the Company. The Company elected to not restate any past business combinations and to apply IFRS 3 prospectively from the transition date. Any goodwill arising on such business combinations that occurred before the transition date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying the exemption. As a condition under IFRS of applying this exemption, goodwill relating to business combinations occurred prior to January 1, 2010 was tested for impairment even though no impairment indicators were present. No impairment existed at the date of transition.

### **Future accounting changes:**

At the date of authorization of the condensed consolidated interim financial statements, the IASB and IFRIC have issued certain new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods. The changes to the Standards include amendments to IAS 12, *Deferred Tax* (recovery of underlying assets) and IFRS 9, *Financial Instruments*. These standards will not be effective for 2011 and the Company has not completely evaluated the effects of these pronouncements.

### **Subsequent Events:**

In November 2011 the Company closed a private placement offering for net proceeds of \$16,303,170. An aggregate of 27,240,050 common shares were issued at a price of \$0.63 per share.

### **Additional Data**

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