

**GREAT WESTERN MINERALS GROUP LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

The following discussion of the financial condition, changes in financial condition and results of operations of the Company for the year ended December 31, 2008 should be read in conjunction with the audited consolidated financial statements of the Company as at December 31, 2008.

**Dated:** April 23, 2009

**Overall Performance:**

The year ended December 31, 2008, marks the first year end since the purchase of Less Common Metals Ltd. ("LCM") of Birkenhead, United Kingdom ("UK"). LCM is a leading global manufacturer and supplier of rare earth based alloys, high purity metals, and ultra high purity indium. This purchase was a key milestone in GWMG's implementation of its "mine to market" business model. This is demonstrated in our results for the year as we saw a dramatic increase in revenues and cost of sales. The year ended December 31, 2008 saw the Company continue significant spending in advancing its mineral properties. Capital expenditures of approximately \$5,905,819 were made on exploration and development work on the Company's mineral properties.

Expenses for the year ended December 31, 2008 totaled \$5,563,248 representing an increase of \$1,013,230 compared to \$4,550,018 for the year ended December 31, 2007. The majority of this increase is due to the addition of LCM into the GWMG consolidated results of operations. This resulted in significant increases in general and administration expenses and increases in wages and benefits. Revenues for year ended December 31, 2008 totaled \$6,915,250 representing an increase in revenues of \$5,934,348 compared to the year ended December 31, 2007. This increase, as with expenses, is due to the addition of LCM into the GWMG consolidated results of operations. LCM generates significant manufacturing revenues which accounted for \$6.37 million of this increase in revenues compared to the year ended December 31, 2007.

Exploration and development work was focused on the Company's Hoidas Lake project in northern Saskatchewan and the Deep Sands project in Utah, USA. Drilling on the Hoidas Lake property took place during the first and second quarters of 2008 for which results are being compiled and new resource estimates are being made. Drilling on the Deep Sands property commenced in May of 2008, and was completed in September, 2008. Geological analysis commenced and is anticipated to be completed during the first half of 2009.

***Risk Factors***

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

- ***Mineral Exploration and Development***  
Mineral exploration and development involve a high degree of risk, and few properties ever advance to commercial production. There is no assurance that even if a body of commercial ore is discovered on the Company's properties ("Properties"), a mine will be brought into commercial production. The feasibility of developing a mineral deposit, once discovered, is dependent on a number of factors, including the particular attributes of the deposit such as size, grade, and proximity to infrastructure, commodity prices and government regulations.

The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors which are beyond its control.

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

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

The marketability of any minerals discovered may be affected by numerous factors beyond the Company's control and which cannot be predicted, such as commodity prices and market fluctuations, proximity to markets, government regulations including regulations relating to trade and the environment, and competition. Should pricing and operating cost factors move adversely, the Company may determine that it is not commercially feasible to commence or continue commercial production.

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

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

- ***Aboriginal Rights***

The Company is not aware of any aboriginal land claims with respect to the Properties; however, there is no assurance that such claims will not be asserted in the future. The Company believes in and is supportive of cooperative relationships with indigenous people in conducting exploration and development activities, and recognizes the mutual benefit in such cooperation.

- ***Additional Funding***

The Company does not currently have sufficient financial resources to undertake by itself all of its planned exploration and possible development programs. The exploration and subsequent development of the Properties may therefore depend on the Company's ability to obtain required financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its obligations on the Properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and the possible loss of the Company's interest in the Properties.

- ***Competition***

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

- **Management**

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

The ability of the Company to realize its goal of becoming a North American producer of rare earth element products is dependent on its ability to raise capital to finance the evaluation and development of the Hoidas Lake property. The company must demonstrate that the project 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 the Hoidas Lake project very much depends on the ability of the Company to establish markets for its rare earth products. The supply side of the rare earths industry is currently largely controlled by production from China.

**Mineral properties consist of the following:**

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

- ***Hoidas Lake Rare Earth Project***

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

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

Refined rare-earths are high-value products used as catalysts and in high-technology applications that utilize the rare-earths’ unique and exceptional magnetic, optical and electronic properties. In particular, they are critical to many alternate energy applications including fuel cells, rechargeable batteries, hydrogen storage materials and permanent magnets.

The current 43-101 compliant resource estimate for Hoidas Lake is given in the following table (available on SEDAR):

Category	Cut-Off Grade WT.% TREE + Y	Tonnes	TREE + Y WT.%	TREO* + Y2O3 WT.%
Measured	1.5	80,000	2.115	2.534
Indicated	1.5	1,070,000	2.380	2.852
Total		1,150,000	2.362	2.830
Inferred	1.5	371,000	2.154	2.581

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

Up until December 31, 2007, approximately 8,500 meters of diamond drilling was completed on the Hoidas Lake property. The above resource estimate is based on this historic drilling and it’s associated 2,837 sample assays. In order to complete planned metallurgical and pilot plant test work, an additional 32 drill holes totaling 3,309 meters were completed providing approximately 13,700 kilograms of mineralized rock core to be used as feed for those programs. A first draft Preliminary Economic Assessment Report (“PEAR”) has been received from Wardrop Engineering and has been reviewed by Great Western Minerals personnel. A second draft of the PEAR will be developed upon the completion of various metallurgical testing programs and completion of sample analysis from the 2008 drilling program. During the first half of 2008, a 30 hole 6,836 m drilling program was completed which tested the JAK Zones down dip to a depth of 350 m and also along strike to the northeast and southwest extending the Zone 200 m to the NE and 350 m to the SW. The Zones now have a strike length of 1 km and remain open to the NE, SW and down dip.

Major activities undertaken by the Company during this time period include the following:

- The analyses of the approximately 1,435 samples from the winter drill program was received late in the third quarter and are currently being compiled. Once this data has been compiled it will be incorporated into the deposit model and an updated resource estimate will be completed.
- Phase 2 metallurgical test work was completed by SGS Lakefield laboratories in conjunction with Melis Engineering and in-house expertise. Results from Phase

2 program indicate that once the grinding and flotation processes are optimized, a Phase 3 test program should be initiated. Phase 3 would encompass the study of solvent extraction processes required to produce final products.

- A full metallurgical study was completed by a certified testing facility located in the United States. Results from this study are similar to those produced by SGS Lakefield and was completed to confirm the initial results. Optimization of grinding and flotation techniques was also considered within this work. Results indicate that additional grinding and flotation studies are required.
  - A full metallurgical study was initiated by a renowned institute located in Beijing China. The purpose of this study is to approach the Hoidas Lake rare earth extraction processes from a non-typical prospective using metallurgical reagents not readily available outside of China in test sized quantities.
  - A mineralogical study was initiated through Xstrata's laboratory during this period to test the existence and distribution of various rare earth carrying minerals throughout the Hoidas Lake deposit. Prior to completion, this study was put on hold to conserve financial resources but will likely be completed in 2009.
  - Golder Associates continued to collect and analyze baseline environmental data through this time period. A summary of this work will be included with the finalized Preliminary Economic Assessment Report and will also form the basis of required regulatory approval submissions as Hoidas Lake is developed.
- ***Deep Sands Project, Utah***

In August 2007, the Company concluded the purchase of 25% of the REE contained in a heavy mineral sands project in Utah for total consideration of US \$4.3 million. The Company also committed to undertake a work program at the property. The term of the agreement shall be for a period of twelve months from the later of the date of closing or the date that the Company is legally permitted to commence drilling and evaluation activities at the property with requisite permits and bonding in place, which term may be extended by mutual agreement of the parties. The term of this agreement will automatically be extended an additional three months in the event that the Company elects to negotiate a participation agreement with the Vendor.

The Company will perform the following work program during the term of the contract:

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

The vendor will hold the remaining 75% interest in the rare earth minerals contained in the Property, and have exclusive rights to deal with 100% of the non-rare earth-bearing minerals. Following the completion of the drilling and evaluation program, the Company will negotiate with the Vendor either the acquisition of the remaining 75% of REE or a participation in a joint venture. In the event that the Company and the vendor cannot agree to a mutually agreeable participation agreement regarding the commercial

exploitation of REE, each party has a right of first refusal to match any bona fide offer the other receives from a third party. In the event that the Company does not exercise its right of first refusal and a third party commences mining of any mineral at the property or if the Vendor sells its interest in the party, the Vendor or such third party will be required to pay the Company an amount equal to two times all documented expenses the Company has incurred under the agreement in connection with the work program.

The property covers 17,094 hectares of rare earth element bearing mineral sands. During 2008, GWMG carried out the following exploration programs:

1. Set up a 20 man trailer camp at Callao, Utah for the drilling and sampling programs.
2. A 953 hole (approximately 5,790m) drilling program tested the upper 6m of the mineral sands for the near surface distribution of iron/rare earth element minerals. The analysis of samples from this program is pending
3. A 77 hole (1,862m) systematically tested the entire property. Difficult drilling conditions in the NW part of the property prevented testing of this region and will require further drilling with a different technique. Analysis of samples from this program were received late in the fourth quarter and are currently being compiled.
4. Kleinfelder West Inc. of Salt Lake City, completed detailed logging of this core. Additionally Kleinfelder has completed surficial mapping and air photo interpretation to delineate the Quaternary Geology of the property. This data, in conjunction with the drill hole data, will be incorporated into a geological model to identify the most prospective areas for rare earth/iron mineralization.
5. Initial metallurgical testing commenced and is focused on aspects of physical concentration of the valuable minerals present in the Deep Sands property.

The results of the drilling and analysis will be used to identify areas for follow-up evaluation. Additional permitting and bonding would be required for drilling holes to bedrock as contemplated in the agreement. The parties are currently reviewing the 2008 drilling program results to determine the appropriate program for 2009. It is anticipated that the process to gain sufficient data to complete a 43-101 compliant resource estimate, suitable for a Preliminary Economic Assessment Report and move toward a feasibility study will require three phases of drilling, permitting and extensive metallurgical testing requiring two to four years to complete.

- ***Benjamin River Project***

On December 1, 2008 the Company entered into an Option Agreement to earn a 100% interest in a REE property near Bathurst, New Brunswick. The interest can be earned by making an initial payment of \$5,000 (paid Dec 2008) and issuing 100,000 common shares (issued Jan 2009) of the Company and subsequent payments of \$10,000 on November 30, 2009, \$30,000 on November 30, 2010, \$50,000 on November 30, 2011, \$100,000 on November 30, 2012 and \$300,000 on November 30, 2013. The Company must also issue 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 property covers 55 claims totaling 880 hectares (ha) and hosts an apatite-diopside-magnetite vein that has been traced on surface for 800 metres along strike, with an apparent width of up to 50 metres. As part of the agreement, GWMG has staked an additional 436 claims (approximately 9500 ha).

Grab samples of the vein material taken by the Company range in assay 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 plausible.

- ***MistyProject***

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

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

Under the terms of the agreement, GWMG 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, GWMG will issue to CanAlaska a total of 200,000 shares of GWMG 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, GWMG 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 6th anniversary date. Upon completion of the required payments and exploration expenditures, GWMG will have earned a 51% interest in the property.

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

- ***Rareco Project***

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

Under the terms of the agreement, GWMG has agreed to pay Rareco an amount of ZAR 1 Million (approximately C\$125,000) for this option, payable in two tranches. The first payment of ZAR 500,000 was paid on signing the agreement.

The second payment of ZAR 500,000 will be made upon delivery, by Rareco, to GWMG, of an updated feasibility study and the receipt of confirmation that the application for conversion of its current Old Order Mining Right to a new mining license has been accepted by the South African Department of Mineral and Energy Affairs (the “confirmation of acceptance”). The updated feasibility study is expected to be completed by Q2 2009 and receipt of the confirmation of acceptance is expected by 30 June 2009.

Subject to approval by GWMG of the updated feasibility study, the confirmation of acceptance, and other due diligence information to be provided by Rareco, GWMG and Rareco will negotiate a Supply Agreement under which 100% of the rare earth ore mined and processed will be made available, by Rareco, to GWMG, for a ten-year period, after which a new Supply Agreement can be negotiated.

- ***Copper Hill Project***

On September 1, 2005, the Company entered into an Option Agreement to earn a 100% interest in 12 mineral claims (the “Copper Hill” project) in Clark County, Nevada, with a subsequent interest for an additional 92 claims. The interest could be earned by making an initial US\$35,000 payment and issuing 100,000 common shares of the Company and subsequent payments totaling US\$150,000 over the next two years, followed by annual payments of US\$250,000 until the property is placed into production at which time the Optionor will receive the greater of US\$250,000 annually or a sliding scale Net Smelter Returns royalty ranging from 2% to 4% based on metal prices. The Optionor will also receive 600,000 common shares over three years (if the Option Agreement is still in effect) and 500,000 common shares on a positive production decision. Due to market conditions, management decided as at December 31, 2008 to abandon its Option Agreement with regard to the Copper Hill project which resulted in the total write off of acquisition costs and exploration costs incurred to December 31, 2008 on the property.

- ***Chuckwalla Gold/ Copper Project***

In 2002, the Company signed a Memorandum of Understanding giving the Company the option to earn a 100% interest in 55 claims in San Bernardino County in California by carrying out exploration work and making a series of payments to the vendor over a period of time. On December 31, 2008, management decided to abandon the Chuckwalla property which resulted in the total write off of acquisition costs and exploration costs incurred to December 31, 2008 on the property.

- ***Crescent Nickel/Cobalt Project***

During the year, the Company held a 100% interest in 56 mineral claims in Curry County, Oregon. The claims cover known areas of nickel-laterite mineralization with significant nickel-cobalt-magnesium values. On December 31, 2008, management decided to abandon its mineral claims on the Crescent Project which resulted in the total write off of acquisition costs and exploration costs incurred to December 31, 2008 on the property.

- ***C.B. Project***

During the year, the Company held a 100% interest in 32 claims in California. The claims cover an area of significant copper oxide and copper sulphide mineralization. On December 31, 2008, management decided to abandon its mineral claims on the C.B.

Project which resulted in the total write off of acquisition costs and exploration costs incurred to December 31, 2008 on the property.

- ***Douglas River***

The Company owns 100% interests in two mineral dispositions in the Douglas River area of Saskatchewan. These claims were acquired based on previous work that identified significant yttrium and heavy rare earth mineralization on the property. Payments have been made in lieu of assessment work. A field program originally planned for the summer of 2008, has been deferred until 2009.

- ***Knee Lake***

The Company acquired the Knee Lake project, a northern Saskatchewan property, in the third quarter of 2007 as a potential source of high purity calcium carbonate. High purity calcium carbonate (calcite) is required for many uranium and rare earth element metallurgical processes. The property acquired both mining and quarrying leases over the calcium carbonate body. The work program originally planned for the summer of 2008 has been deferred until 2009.

### **Less Common Metals**

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

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

The Convertible Debenture has a two year term and is convertible only at maturity or default at the market price of the Company's common shares at the end of the two year term. The Company may redeem the £2,500,000 (\$5,069,000) Convertible Debenture at any time prior to conversion upon payment in full, and payment of a completion fee of £300,000 (\$608,280). The Convertible Debenture bears interest at a rate of 10% per annum, payable quarterly in arrears. Security for the Convertible Debenture is 4,275,000 common shares of Vaaldiam Resources Ltd. held by the Company and the shares of Great Western Technologies Inc., a wholly owned subsidiary of the Company. The Warrants have a term of two years and are convertible into common shares of the Company at a price of \$0.30 per common share.

On June 27, 2008, the Company received direct ownership of 62.5% of the LCM Shares and LCMG received direct ownership of 37.5% of the LCM shares. Immediately after the closing, the Company approved the transfer of its 62.5% ownership of the LCM shares to LCMG in return for further share equity in LCMG. The result, after the transfer, is that LCMG obtained direct ownership of 100% of the LCM shares. 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>
<b>Net Assets Acquired</b>	<b><u>\$9,660,433</u></b>

### Great Western Technologies Inc

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

### Financial Highlights

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

	2008	2007
	\$	\$
Total revenues	7,033,468	1,216,740
Net loss	(5,148,544)	(1,611,606)
Basic loss per share	(0.044)	(0.02)
Diluted loss per share	(0.044)	(0.02)
Total assets	33,881,988	26,761,295
Long-term liabilities	1,882,569	673,417
Cash dividends	Nil	Nil

### Results of Operations

For the year ended December 31, 2008, the Company recorded a net loss of \$5,148,544 or a \$0.044 loss per share compared to a net loss of \$1,611,606 or \$0.02 loss per share for the year ended December 31, 2007. Changes contributing to the difference in the net loss for the year ended December 31, 2008 compared to the net loss for the year ended December 31, 2007 include the abandonment of several mineral properties in December of 2008 and a prior year accounting gain on dilution of interest in Great Western Diamonds Corp. The purchase of LCM in June of 2008, generated a positive gross margin from its sales during the half year in which its operations

were consolidated with those of Great Western Minerals Group and this resulted in a reduced loss for Great Western Minerals Group as a whole. However this reduced loss was offset by a \$1.5 million write-off of the exploration expenses incurred to December 31, 2008 on the Copperhill, Chuckwalla, C.B. and Crescent properties. Furthermore, at December 31, 2007, the Company recorded a large gain on dilution of interest in Great Western Diamonds Corp. which reduced the prior year's loss by \$1.1 million. The Company's cash position decreased significantly at December 31, 2008 compared to the cash position at December 31, 2007. This is due to the fact that in 2007, approximately \$16.3 million was raised from the issuance of shares compared to only \$4.6 million raised during 2008. This decrease is due to the current global economic situation that is making it difficult for Companies to raise capital in the financial markets.

### **Revenues**

For the year ended December 31, 2008 the Company reported manufacturing revenue of \$6,915,250. This is compared to manufacturing revenue of \$980,902 for the year ended December 31, 2007. The increase in revenues is due to the addition of LCM which contributed \$6,369,918 to manufacturing revenue during the year. Rental income for the year ended December 31, 2008 amounted to \$50,004 compared to \$117,818 in the prior year. The decrease in this revenue is due to the fact that in the prior year some rental income was being earned at Great Western Technologies and no such income is being earned in the current year. The Company invests excess cash reserves in short-term deposits in order to maximize return while ensuring that the funds are available for the significant cash outflow requirements of its various projects. As a result of less cash being on hand, interest income decreased during the year from \$118,020 for the year ended December 31, 2007 to \$68,214 for the year ended December 31, 2008.

### **Expenses**

For the year ended December 31, 2008, the Company reported operating costs of \$5,563,248 compared to \$4,550,018 for the year ended December 31, 2007. This increase is due to the addition of LCM into the operations of Great Western Minerals Group. This resulted in significant increases in general and administration expenses and increases in wages and benefits. Other changes in expenses included a decrease in stock based incentive expenses of \$469,588 due to changes in market volatility which affects the Black-Scholes calculation of stock based incentive expense. The number of options issued in 2008 was comparable to those issued in 2007.

### **Assets and Liabilities**

The Company's cash position decreased to \$646,941 at December 31, 2008 from \$7,005,995 at December 31, 2007. Overall current assets decreased to \$5,493,025 at December 31, 2008 compared to \$8,164,969 at December 31, 2007, and current liabilities increased to \$10,049,376 at December 31, 2008 compared to \$479,019 at December 31, 2007. See discussion regarding this change in the Liquidity and Capital Resources section below. Mineral property assets increased \$4.3 million during the year.

### **Liquidity and Capital Resources**

During the 2008 year, the Company completed gross financings of \$4,617,351 as compared to gross financing during the 2007 year of \$16,337,588.

Working capital decreased to negative \$4,556,351 at December 31, 2008 as compared to positive \$7,685,950 at December 31, 2007. This is due to a decrease in current assets of \$2,671,944 to \$5,493,025 at December 31, 2008 compared to \$8,164,969 at December 31, 2007 related primarily to a decrease in cash of \$6,359,054. There was an increase in current liabilities by \$9,570,357 to \$10,049,376 at December 31, 2008 compared to \$479,019 at December 31, 2007. The significant increase in current liabilities is due to the reclassification of the two convertible

debentures from long-term to current debt. This reclassification was necessary in order to comply with Generally Accepted Accounting Principles due to the fact that the Company was in arrears under the payment schedules stipulated in its debenture agreements. The \$300,000 debenture holder consented to an extension to permit the Company to bring the payments current. The holder agreed to monthly payments of \$5,000 commencing January 15 until June 15<sup>th</sup> at which time all arrears are to be paid in full. The \$5,010,880 debenture holders consented to an agreement whereby the payment of \$260,810 in interest was deferred to being payable at March 31, 2009. As at April 17, 2009, the Company has not paid the interest that was due at March 31, 2009 and is in discussions with the debenture holders in order to negotiate further extensions and repayment options.

### Cash Flow

For the year ended December 31, 2008, the major inflows and outflows of cash consisted of \$11.2 million spent on investing activities which mostly consisted of cash spent on mineral properties, the purchase of capital assets and the addition of LCM. \$11.3 million in cash was generated from the issuance of shares (\$4.6 million) and the issuance of long-term debt (\$6.7 million).

### Summary of Quarterly Results

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

For the quarter ended	December 31, 2008	September 30, 2008	Jun.30, 2008	Mar.31, 2008	Dec.31, 2007	Sep.30, 2007	Jun.30, 2007	Mar.31, 2007
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	2,659,253	4,126,087	103,887	144,241	337,507	295,875	248,629	334,729
Net income/ (loss)	(3,693,690)	(427,009)	(711,804)	(316,041)	34,189	(719,936)	(1,062,963)	137,104
Income/ (Loss) per share	(0.031)	(0.004)	(0.006)	(0.003)	0.001	(0.008)	(0.015)	0.002

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

### Quarterly Comparison

#### Revenues

A significant increase in revenues resulted in the quarters ended December 31, 2008 and September 30, 2008 as these were the first quarters that GWMG consolidated its revenues with those of LCM who generate significant manufacturing revenues. Prior to these quarters, revenues remained fairly constant with fluctuations arising due to the fluctuations in manufacturing revenues earned at GWTI.

## **Net income/loss**

The Company reported its most significant loss during the fourth quarter of 2008 due to the write-off of exploration expenses relative to the abandoned properties as discussed in the mineral properties section. The 2<sup>nd</sup> quarter of 2007 also saw a very large loss due to expenses incurred for the exploration of the Deep Sands project. At that time, the project was not at a point where capitalization of those expenses was appropriate and so a large loss was incurred. The third quarter of 2007 saw losses due to the normal course of operations and amounts spent on exploration. The fourth quarter of 2007 saw significant income as a result of a future income tax recovery. The first quarter of 2008 saw a net loss again due to the normal course of operations and significant travel and professional expenses. The second quarter of 2008 saw large net loss again due to the normal course of operations. The third quarter of 2008 saw a net loss of \$427,009 which represents a decrease in the loss from operations due to the addition of LCM to the operations of the Company.

## **Related Party Transactions**

During the twelve months, salaries, bonuses, management and consulting fees of \$961,305 (2007 - \$633,009) were paid to directors, officers and companies controlled by common directors. \$154,839 (2007 - \$53,950) was included in mineral properties, \$33,000 (2007 - \$100,766) was included in management fees, and \$592,759 (2007 - \$364,774) was included in salaries. These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value and is the amount of consideration established and agreed to by the related parties.

## **Critical Accounting Estimates**

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

- **Going concern**

The financial statements have been prepared on the basis of generally accepted accounting principles as applicable to a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The company has incurred significant operating losses in its exploration and research and development 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 research and development operations until commercially successful, and future production or proceeds from the disposition thereof.

- **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 the Province of Saskatchewan.

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

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

- **Future income taxes**

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

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

- **Foreign currency translation**

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

- **Stock-based compensation plan**

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

## **International Financial Reporting Standards (“IFRS”)**

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the Company will transition from current Canadian GAAP financial reporting and commence reporting under IFRS no later than the three-month period ended March 31, 2011, with restatement of comparative information presented. Though IFRS uses a conceptual framework similar to Canadian GAAP, there are some significant differences on recognition, measurement and disclosure requirements. The Company is currently evaluating the impact of the transition to IFRS on its financial reporting, systems and business activities and ensuring the appropriate personnel, resources and training are in place to ensure an efficient transition.

## **Management certifications – Internal control over financial reporting**

Recent changes in securities laws no longer require the CEO and CFO of TSX Venture Exchange listed companies such as GWMG to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by GWMG’s certifying officers for the December 31, 2007 annual filings. The new certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company’s operations. This certification requires that the certifying officers state:

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

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

## Outstanding Share Data

### Share capital

Authorized unlimited common shares,  
Without par value Issued

	Common Shares	Share Capital
<b>Balance, December 31, 2006</b>	<b>67,944,670</b>	<b>\$ 21,766,579</b>
Issued for mineral properties	250,000	100,000
Private placements	43,171,175	17,282,720
Exercise of warrants	332,167	132,867
Exercise of broker warrants	212,281	63,684
Exercise of options	200,000	56,000
Renunciation of Canadian Exploration Exp.	-	(770,917)
Cash issue costs	-	(1,197,683)
Non-cash issue costs		(527,379)
<b>Balance, December 31, 2007</b>	<b>112,110,293</b>	<b>36,905,871</b>
Issued for mineral properties	200,000	65,000
Private placements	30,887,864	3,858,903
Exercise of warrants	2,613,200	718,630
Renunciation of Canadian Exploration Exp.	-	(1,161,000)
Cash issue costs	-	(991,341)
Non-cash issue costs		(152,742)
<b>Balance, December 31, 2008</b>	<b>145,811,357</b>	<b>\$ 39,243,321</b>

### Additional Data

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

Details of deferred exploration and development expenditures, by property, and details of general and administrative expenses can be found in the Notes to the Consolidated Financial Statements for the periods ended September 30, 2008 and December 31, 2007.

### 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.