



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014
(Canadian dollars)

"GWMG: Mines to Markets"



Steenkampskraal Monazite Mine



Less Common Metals Fused Salt Electrolysis Apparatus

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GREAT WESTERN MINERALS GROUP LTD.

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

(in Canadian dollars)

	As at	
	September 30 2014	December 31 2013
	\$	\$
Assets		
Cash and cash equivalents	13,495,795	23,573,586
Accounts receivable (Note 7)	2,370,023	3,855,444
Inventories (Note 8)	3,538,497	4,121,182
Deposits and prepaid expenses	998,461	1,991,582
Current assets	20,402,776	33,541,794
Property, plant and equipment (Note 9)	19,353,963	20,677,727
Exploration and evaluation assets (Note 10)	14,905,138	15,233,227
Intangible assets	574,438	668,431
Goodwill	2,396,054	2,323,426
Non-current assets	37,229,593	38,902,811
Total assets	57,632,369	72,444,605
Liabilities		
Accounts payable and accrued liabilities	9,045,821	7,398,668
Current portion of provisions (Note 11)	653,798	2,188,963
Current liabilities	9,699,619	9,587,631
Provisions (Note 11)	2,266,026	1,971,899
Convertible bonds – debt (Note 12)	74,937,125	65,824,047
Non-current liabilities	77,203,151	67,795,946
Total liabilities	86,902,770	77,383,577
Shareholders' Equity		
Share capital (Note 13)	111,747,305	111,747,305
Warrants (Note 13)	11,702,153	11,702,153
Share based payments reserve (Note 13)	10,976,031	10,908,496
Accumulated other comprehensive income (loss)	(5,601,227)	(6,192,722)
Deficit	(158,094,663)	(133,104,204)
Total shareholders' deficiency	(29,270,401)	(4,938,972)
Total liabilities and shareholders' equity	57,632,369	72,444,605

Going concern (Note 2)

*The accompanying notes are an integral part of these consolidated financial statements.*Approved by the Board
"Lenard Boggio"
Director"Marc LeVier"
Director, President and CEO

GREAT WESTERN MINERALS GROUP LTD.

Condensed Consolidated Interim Statements of Comprehensive Loss (Unaudited)

(in Canadian dollars)

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013 Revised*	2014	2013 Revised*
	\$	\$	\$	\$
Sales	6,116,876	3,967,856	18,836,983	11,602,716
Cost of materials	<u>4,907,420</u>	<u>2,901,013</u>	<u>15,261,105</u>	<u>8,391,814</u>
Gross margin	<u>1,209,456</u>	<u>1,066,843</u>	<u>3,575,878</u>	<u>3,210,902</u>
Operating expenses				
General and administration	555,796	814,805	1,805,091	3,430,734
Wages and benefits (Note 16)	1,299,674	2,078,190	4,462,350	5,335,341
Stock based compensation (Note 13)	394	169,969	67,535	741,224
Professional fees	906,132	499,449	1,609,121	1,676,866
Investor relations	29,622	53,052	104,173	175,127
Occupancy	388,911	516,604	1,841,737	1,408,764
Depreciation and amortization	414,884	287,471	1,315,335	1,008,404
Exploration and evaluation (Note 14)	243,820	1,397,386	2,294,913	6,178,854
Impairment of property, plant and equipment (Note 9)	-	-	425,288	153,487
Exchange (gain) loss	<u>3,118,983</u>	<u>(511,315)</u>	<u>3,007,156</u>	<u>501,398</u>
Total expenses	6,958,216	5,305,611	16,932,699	20,610,199
Other				
Interest expense and finance costs	(3,865,288)	(3,256,342)	(11,450,386)	(9,194,025)
Interest income	3,613	62,449	30,615	138,263
Gain on conversion option	29,418	174,331	-	6,917,840
Other income (expense)	<u>7,943</u>	<u>5,610</u>	<u>(52,294)</u>	<u>15,984</u>
Loss before income taxes	<u>9,573,074</u>	<u>7,252,720</u>	<u>24,828,886</u>	<u>19,521,235</u>
Income tax recovery	-	-	-	<u>115,155</u>
Net loss from continuing operations	<u>9,573,074</u>	<u>7,252,720</u>	<u>24,828,886</u>	<u>19,406,080</u>
Discontinued operation				
Loss from discontinued operation, net of tax (note 5)	<u>3,352</u>	<u>184,950</u>	<u>161,573</u>	<u>503,451</u>
Net loss	<u>9,576,426</u>	<u>7,437,670</u>	<u>24,990,459</u>	<u>19,909,531</u>
Other comprehensive income (loss):				
Items that may be reclassified to profit and loss:				
Translation adjustment	(392,337)	(48,641)	256,836	(2,186,691)
Discontinued operation cumulative translation adjustment loss reclassified to loss	-	-	<u>334,659</u>	-
Other comprehensive income (loss)	<u>(392,337)</u>	<u>(48,641)</u>	<u>591,495</u>	<u>(2,186,691)</u>
Total comprehensive loss	<u>9,968,763</u>	<u>7,486,311</u>	<u>24,398,964</u>	<u>22,096,222</u>
Per share amounts				
Basic and fully diluted loss per share from continuing operations	0.023	0.018	0.059	0.047
Basic and fully diluted loss per share from discontinued Operation	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.001</u>
Basic and fully diluted loss per share	<u>0.023</u>	<u>0.018</u>	<u>0.059</u>	<u>0.048</u>
Weighted average number of shares outstanding	<u>418,738,174</u>	<u>418,738,174</u>	<u>418,738,174</u>	<u>418,738,174</u>

*See Notes 3 and 5

The accompanying notes are an integral part of these consolidated financial statements.

GREAT WESTERN MINERALS GROUP LTD.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

(in Canadian dollars)

	For the nine months ended September 30,	
	2014	2013 Revised*
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss for the period from continuing operations	(24,828,886)	(19,406,080)
Adjustment for:		
Depreciation and amortization	1,315,335	1,008,404
Stock based compensation (Note 13)	67,535	741,224
Finance costs	11,450,386	9,195,239
Impairment of inventory	-	123,144
Impairment of property, plant and equipment	425,288	153,487
Gain on conversion option	-	(6,917,840)
Loss on disposal of assets	82,273	-
Income tax recovery	-	(115,155)
Income tax received	-	122,273
Other operating items (Note 19)	<u>5,641,132</u>	<u>(3,996,329)</u>
Cash flows used in continuing operating activities	(5,846,937)	(19,091,633)
Cash flows used in discontinued operation (Note 5)	<u>(1,203,846)</u>	<u>(383,346)</u>
Cash flows used in operating activities	<u>(7,050,783)</u>	<u>(19,474,979)</u>
Investing activities		
Property, plant and equipment	(505,685)	(4,989,288)
Proceeds from sale of property, plant and equipment	194,643	-
Interest received	<u>30,615</u>	<u>136,770</u>
Cash flows used in continuing investing activities	(280,427)	(4,852,518)
Cash flows used in discontinued operation (Note 5)	<u>326,391</u>	<u>-</u>
Cash flows provided by (used in) investing activities	<u>45,964</u>	<u>(4,852,518)</u>
Financing activities		
Interest paid (Note 12)	(3,976,344)	(3,718,128)
Net change in amounts in escrow	-	3,659,040
Short-term borrowings	<u>-</u>	<u>(699,916)</u>
Cash flows used in financing activities	<u>(3,976,344)</u>	<u>(759,044)</u>
Net decrease in cash and cash equivalents during the period	(10,981,163)	(25,086,501)
Exchange rate changes on foreign currency cash balances	903,372	1,314,948
Cash and cash equivalents, beginning of period	<u>23,573,586</u>	<u>52,095,448</u>
Cash and cash equivalents, end of period	<u>13,495,795</u>	<u>28,323,895</u>

*See Notes 3 and 5

The accompanying notes are an integral part of these consolidated financial statements.

GREAT WESTERN MINERALS GROUP LTD.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Unaudited)

(in Canadian dollars)

	For the nine months ended September 30,		For the year ended December 31
	2014	2013 Recast *	2013
	\$	\$	\$
Share capital (Note 13)			
Beginning balance	<u>111,747,305</u>	<u>111,747,305</u>	<u>111,747,305</u>
Ending balance	<u>111,747,305</u>	<u>111,747,305</u>	<u>111,747,305</u>
Warrants (Note 13)			
Beginning balance	11,702,153	11,817,308	11,817,308
Tax effect on expiry of warrants	-	(115,155)	(115,155)
Ending balance	<u>11,702,153</u>	<u>11,702,153</u>	<u>11,702,153</u>
Share based payments reserve (Note 13)			
Beginning balance	10,908,496	10,274,967	10,274,967
Grant of options	<u>67,535</u>	<u>741,224</u>	<u>633,529</u>
Ending balance	<u>10,976,031</u>	<u>11,016,191</u>	<u>10,908,496</u>
Accumulated other comprehensive income (loss)			
Beginning balance	(6,192,722)	(5,020,099)	(5,020,099)
Translation adjustment	<u>591,495</u>	<u>(2,186,691)</u>	<u>(1,172,623)</u>
Ending balance	<u>(5,601,227)</u>	<u>(7,206,790)</u>	<u>(6,192,722)</u>
Deficit			
Beginning balance	(133,104,204)	(103,694,163)	(103,694,163)
Net loss	<u>(24,990,459)</u>	<u>(19,909,531)</u>	<u>(29,410,041)</u>
Ending balance	<u>(158,094,663)</u>	<u>(123,603,694)</u>	<u>(133,104,204)</u>
End of period shareholders' equity (deficiency)	<u>(29,270,401)</u>	<u>3,655,165</u>	<u>(4,938,972)</u>

* See Note 3

The accompanying notes are an integral part of these consolidated financial statements.

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

1. Nature of operations

Great Western Minerals Group Ltd. (the "Company" or "GWMG") was incorporated under the Business Corporations Act of British Columbia on September 30, 1983. Effective December 12, 2007, the Company's jurisdiction was continued out of British Columbia into the federal jurisdiction. The registered office of the Company is 2121 Airport Drive, Unit 201B, Saskatoon, SK S7L 6W5.

The Company is an integrated rare earth processor which manufactures specialty alloys used in the magnet, battery, and aerospace industries. These alloys contain iron, nickel, cobalt and other rare earth elements. As part of the Company's vertical integration strategy, in 2011, the Company acquired a 74% equity interest in the formerly producing Steenkampskraal rare earth mine in South Africa. Once in production, the mine is intended to provide certain of the raw materials needed to produce the Company's specialty alloys. The Company also holds interests in three rare earth exploration and development properties in North America.

The condensed consolidated interim financial statements of the Company as at and for the nine months ended September 30, 2014 are comprised of GWMG and its subsidiaries (collectively "the Company"), Less Common Metals Limited ("LCM"), LCMG Limited ("LCMG"), Great Western Technologies Inc. ("GWTI") and Rare Earth Extraction Co. Limited ("Rareco"). The details of these subsidiaries can be found in Note 20 of the annual consolidated financial statements. The Company is party to an incorporated joint venture in South Africa, Great Western GQD Rare Earth Materials Proprietary Limited ("GWGQD"), which may construct and operate the separation extraction facility for the Steenkampskraal mine in the future. No significant activity has occurred to date at GWGQD.

2. Going Concern

These financial statements have been prepared on the basis of International Financial Reporting Standards ("IFRS") as applicable to a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for at least twelve months from September 30, 2014. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions, as described below that may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

For the nine month period ended September 30, 2014, the Company reported a loss of \$24,990,459. At September 30, 2014, the Company has an accumulated deficit of \$158,094,663, a shareholders' deficit of \$29,270,401 and has working capital of \$10,703,157. To date, the Company has not generated positive cash flow from operations. The Company also has incurred net cash losses while completing its feasibility study on the Steenkampskraal property as well as from its manufacturing operations due to low availability of affordable raw materials. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain necessary financing or other satisfactory arrangements for the development of its mineral reserves and to curtail expenditures to fund its operating expenses and interest expense until production allows the Company to be self-sufficient. In addition, the Company is likely to be required to restructure the convertible bonds in order to satisfy its contractual cash requirements as outlined in Note 6(a).

Management and the Company's financial advisors have been actively targeting sources of additional financing including through alliances with financial, exploration, and mining entities to facilitate the continuation of the Company's operations. To date, the results of this process have not yielded additional financing for the Company. Accordingly, the Company is currently discussing the restructuring of its convertible bonds with various bondholder representatives. However, the outcome of any bondholder negotiations and any effect on the capital structure of the Company or the project financing cannot be predicted at this time. The Company is continuing the process of curtailing expenses where possible while keeping its properties in good standing and maintaining its listing requirements.

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

While the Company has been successful in the past at raising sufficient financing to fund operations and development activities, there is no assurance that it will obtain financing on terms that are satisfactory or at all, or whether any funds raised and/or any restructuring of its convertible bonds will be sufficient to continue operations in the normal course.

Failure by the Company to obtain additional financing on a timely basis and in sufficient amounts to fund operations or to make other satisfactory arrangements and/or the failure to restructure its convertible bonds may cause the Company to delay or indefinitely postpone development activities or may cause the Company to forfeit rights in its properties, reduce or terminate its operations, or default on its secured debt (Note 12).

3. Statement of compliance and basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard No. 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) and do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements were authorized for issuance by the Company’s Board of Directors on November 13, 2014.

The Company’s condensed consolidated interim financial statements have been prepared on a historical cost basis, except as disclosed, using the Company’s presentation currency of Canadian dollars. The functional currency of GWMG is the Canadian dollar and the functional currency of its foreign subsidiaries includes the UK sterling and the South African rand.

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2013.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 of the December 31, 2013 consolidated financial statements.

In preparing these condensed consolidated interim financial statements, the Company applied accounting policies consistent with those disclosed in Note 4 of the Company’s consolidated annual financial statements for the year ended December 31, 2013, except as otherwise disclosed.

Discontinued operations

A discontinued operation is a component of the Company’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Company. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income (loss) is re-presented as if an operation had been discontinued from the start of the comparative period (see Note 5).

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

Recast of restoration provision recognition

In addition to the recast adjustments disclosed in Note 3(d) to the annual consolidated financial statements, the restoration provision recorded of US\$1,300,000 related to estimated restoration liabilities that existed at GWTI's manufacturing facility prior to the 2013 period would be revalued at September 30, 2013 for movements in foreign exchange rates. At January 1, 2013, the restoration liability was recorded at \$1,293,370; however, due to foreign exchange fluctuations for the nine months ended September 30, 2013, the provision would have been recorded at \$1,337,050 at September 30, 2013. The foreign exchange loss of \$43,680 would increase other comprehensive loss and accumulated other comprehensive loss by the same amount. The following table summarizes this recast of information for the comparative period presented in these condensed consolidated interim financial statements.

Statements of Financial Position	As at Sept 30, 2013
	\$
Accumulated Other Comprehensive loss - previous	(7,236,040)
Accumulated Other Comprehensive loss - recast	(7,206,790)
	For the Nine Months Ended Sept 30, 2013
	\$
Other comprehensive loss - previous	(2,143,011)
Other comprehensive loss - recast	(2,186,691)
	Total comprehensive income (loss) - previous
	(22,052,542)
	Total comprehensive income (loss) - recast
	(22,096,222)

4. Accounting standards

a) New standards and interpretations effective for January 1, 2014

A number of new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting period beginning on January 1, 2014. None of the new standards had a material impact on the Company's condensed consolidated interim financial statements, but include:

- Amendments to IAS 32, Financial assets and financial liabilities
- Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting
- IFRIC 21, *Government Levies*

The Company currently does not have any financial assets or financial liabilities that would be impacted by the amendments to IAS 32. In addition, the Company has not had any impairments (or reversals) that were determined based on fair value less costs of disposal in the current period or comparative period that would require disclosure under IAS 36. The Company currently does not have any hedging derivatives to consider under IAS 39 nor is it subject to government imposed levies that are included in the scope of IFRIC 21.

b) New standards and interpretations not yet effective

i) Financial Instruments

In February 2014, the IASB tentatively decided that IFRS 9, *Financial Instruments* ("IFRS 9") will be effective commencing January 1, 2018. This standard is part of a wider project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value, with limited exceptions. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

the financial asset or liability. IFRS 9 also has new requirements where an entity chooses to measure a liability at fair value through profit or loss. In these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 also introduces a new hedge accounting model to more closely align how entities undertake risk management activities. The Company does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.

ii) Defined Benefit Plans: Employee Contributions

In November 2013, the IASB issued Defined Benefit Plans: Employee Contributions (Amendments to IAS 19, *Employee Benefits*). The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendments are effective for annual periods beginning on or after July 2014, with earlier application being permitted. The Company is not impacted by this amendment.

iii) Revenue

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 is effective for periods beginning on or after January 1, 2017 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2017. The extent of the impact of adoption of IFRS 15 has not yet been determined.

iv) Accounting for Acquisitions of Interests in Joint Operations

In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements*. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business and are effective for annual periods beginning on or after January 1, 2016. The Company is not impacted by these amendments.

v) Clarification of Acceptable Methods of Depreciation and Amortisation

In May 2014, the IASB issued amendments to IFRS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*. The amendments to IAS 16 and IAS 38 clarify that the use of revenue-based methods to determine the depreciation or amortization of an asset is generally not appropriate. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company is not impacted by these amendments.

vi) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB issued amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures* to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company currently does not anticipate being impacted by these amendments.

5. Discontinued Operation

Effective May 2, 2014, the Company completed a sale of certain assets and liabilities of its GWTI operation. In exchange for a payment of US\$741,836 from GWTI, the purchaser acquired all the property, plant and equipment, inventory, and certain working capital items of GWTI and assumed the restoration liabilities associated with the GWTI operation. In addition, the purchaser provided employment to the GWTI employees and has assumed GWTI's lease obligations. The Company realized a loss on the disposal of these assets and liabilities of \$61,897 after recognizing \$334,659 of cumulative translation losses related to GWTI.

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

a) Results of discontinued operation

The comparative condensed consolidated interim statement of comprehensive income (loss) for the discontinued operation for the nine-months ended September 30, 2014 and 2013 are presented below.

	<u>Sept 30</u> <u>2014</u>	<u>Sept 30</u> <u>2013</u>
	\$	\$
Sales	325,153	588,814
Cost of materials	39,727	183,320
Gross Margin	285,426	405,494
Expenses		
General expenses	352,791	812,039
Depreciation and amortization	36,630	101,707
Total expenses	389,421	913,746
Other income (loss)		
Finance charges	-	(1,214)
Interest and other income	4,319	6,015
Loss on disposal of assets and liabilities	(61,897)	-
Loss before income taxes	(161,573)	(503,451)
Income tax recovery (expense)	-	-
Net income (loss) from discontinued operation	(161,573)	(503,451)

b) Cash flows from (used in) discontinued operation

	<u>Sept 30</u> <u>2014</u>	<u>Sept 30</u> <u>2013</u>
	\$	\$
Net cash used in operating activities	(1,203,846)	(383,346)
Net cash from investing activities	326,391	-
Net cash flow from discontinued operation	(877,455)	(383,346)
Less: cash distributed on sale of assets and liabilities (US\$741,836)	808,379	-
Net cash flows from discontinued operation before sale	(69,076)	(383,346)

6. Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents as well as the maturity of financial liabilities. The Company's cash and cash equivalents are invested in business accounts in various banks and are available on demand for the Company's programs.

The following table details the Company's expected remaining contractual cash flow requirement for its financial liabilities with agreed repayment periods. The amounts presented are based on undiscounted cash flows of financial liabilities and therefore, do not equate to the carrying amounts on the condensed consolidated interim statement of financial position.

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years	Total contractual cash outflows at September 30, 2014	Total contractual cash outflows at December 31, 2013
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities ⁽¹⁾	9,045,821	-	-	-	9,045,821	7,398,668
Provisions (excluding leases)	201,989	-	-	1,233,143	1,435,132	2,919,042
Leases	798,885	1,500,935	1,259,366	4,227,092	7,786,278	9,004,707
Convertible bonds	-	-	100,800,000	-	100,800,000	95,724,000
Interest payable on convertible bonds ⁽¹⁾	4,142,164	16,128,000	-	-	20,270,164	24,972,393
Total	14,188,859	17,628,935	102,059,366	5,460,234	139,337,394	140,018,810

(1) Included in accounts payable and accrued liabilities at September 30, 2014 is \$3.9 million of interest related to the convertible bonds.

As at September 30, 2014, the Company had liquid cash and cash equivalents of \$13,495,795 to settle its contractual liabilities of \$139,337,394. In management's opinion in order for the Company to continue to have the ability to meet its short-term contractual obligations it will need to raise external financing or restructure the convertible bonds.

A significant portion of the above commitments are denominated in US dollars. A 10% weakening in the Canadian dollar against the US dollar would increase total contractual liabilities at September 30, 2014 by \$12.5 million.

b) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign currency exchange rates and interest rates will affect the Company's earnings or the fair value of its financial instruments.

i) Interest rate risk

Cash bears interest at a variable rate and the Company is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations. The convertible bonds bear interest at a fixed rate of interest and are not subject to changes in market interest rates. The fair value of the embedded conversion option in the convertible bonds is exposed to interest rate risk, as the valuation technique requires an interest rate as an input into the valuation model. The Company has not entered into any derivative contracts to manage interest rate risk.

ii) Price risk

The Company is exposed to price risk with respect to the market price of rare earth oxides ("REOs"). The fluctuation in the price of REOs may have a potential adverse effect on the Company's ability to finance the SKK Project and may influence the course of action taken in developing the project or continued exploration on various other projects.

The Company is also subject to price risk for changes in the fair value of the embedded option related to the Company's convertible bonds. The valuation model to determine the fair value of the embedded option uses the Company's share price as an input which is subject to volatility.

iii) Foreign currency risk

The Company has foreign currency risk due to fluctuations in foreign currency rates as it has significant financial assets and liabilities in foreign currencies which are primarily denominated in US dollars. The Company's foreign subsidiaries transact predominately in their functional currency which limits their

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

exposure. The US dollar notional amounts of the Company's foreign currency denominated financial assets and liabilities are as follows:

	Sept 30 2014
	US \$
Cash and cash equivalents	11,298,938
Accounts receivables	1,928,252
Accounts payable and accrued liabilities	(3,885,610)
Convertible bonds - debt	(66,908,147)
Net financial asset (liability)	<u>(57,566,567)</u>

The impact of currency risk on the Company's statement of comprehensive loss is a result of the retranslation of monetary financial instruments including cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities (including accrued interest on convertible bonds) and convertible bonds. The embedded conversion option in the convertible bonds is not subject to currency risk given that it is fixed at a specified rate.

If the US dollar strengthened or weakened by 10 percent against the Canadian dollar at September 30, 2014, the Company's comprehensive loss would have increased or decreased by \$6.4 million, respectively.

c) Credit risk

The Company's credit risk is primarily attributable to cash and accounts receivable. The Company reduces its credit risk by maintaining its bank accounts at large reputable financial institutions. The Company also has credit risk in relation to accounts receivable. The Company has mitigated the credit risk through the sale to large international companies with high credit ratings. Historical levels of receivable defaults and overdue balances over normal credit terms are both negligible, thus the credit risk associated with accounts receivables is also considered to be nominal. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

d) Categories of Financial instrument fair value measurement

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and convertible bonds.

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the reporting date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety.

The Company's policy is to recognize transfers in or out of Level 1, 2 or 3 as of the date of the event or change in circumstances that caused the transfer. No transfers occurred for the three month period ended September 30, 2014.

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

The fair value of cash and cash equivalents is assumed to be approximately its carrying value. The fair value of this instrument is derived from quoted prices in an active market (Level 1 in the fair value hierarchy).

The fair value of accounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

The convertible bonds are separated into a debt component (carried at amortized cost) and an embedded conversion option (carried at fair value through profit and loss – revalued on a recurring basis). The Company's convertible bonds trade on the Professional Services Market of the London Stock Exchange. The volume of transactions does not take place with sufficient frequency to provide pricing information on an on-going basis, but the bonds do trade periodically in a non-active market (Level 2 of the fair value hierarchy). The Company uses a market approach in determining the fair value to be disclosed (Note 12) related to the debt portion of the bond based on the observable price of the bonds after deducting the fair value of the embedded conversion option.

The fair value of the embedded conversion option is derived from valuation techniques that include inputs for the liability that are not entirely based on observable market data (Level 3 in the fair value hierarchy). However, due to the Company's current share price the fair value of the embedded conversion option approximates \$0.

e) Capital risk management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain appropriate returns to shareholders. The Company adjusts its capital structure as necessary in order to support the acquisition, exploration and development of its projects. The Company considers its common shares, warrants, share options and convertible bonds as sources of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's capital risk management.

The Company is not exposed to any externally imposed capital requirements, except as required under the terms of the convertible bonds. Under the terms of the bond agreement the Company is not permitted to grant security over any of its assets, dispose of any assets, declare dividends on its common shares for a three year period from date of the issuance of the convertible bonds, nor become party to additional indebtedness (except in limited circumstances). As at September 30, 2014, the Company is in compliance with the requirements of the bond agreement.

The capital structure at September 30, 2014 was as follows:

	Sept 30	Dec 31
	2014	2013
	\$	\$
Carrying value of convertible bonds, including conversion option (Note 12)	74,937,125	65,824,047
Cash and cash equivalents	<u>(13,495,795)</u>	<u>(23,573,586)</u>
Net debt	61,441,330	42,250,461
Shareholders' deficiency	<u>(29,270,401)</u>	<u>(4,938,972)</u>
Total Capital	<u>32,170,929</u>	<u>37,311,489</u>

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

7. Accounts receivable

	Sept 30	Dec 31
	2014	2013
	<u>\$</u>	<u>\$</u>
Trade receivables	2,165,336	2,612,287
GST/VAT receivables	113,699	736,198
Other receivables	<u>90,988</u>	<u>506,959</u>
Total	<u>2,370,023</u>	<u>3,855,444</u>

8. Inventories

	Sept 30	Dec 31
	2014	2013
	<u>\$</u>	<u>\$</u>
Material	2,136,195	2,531,524
Work In progress	462,345	588,913
Finished goods	<u>939,957</u>	<u>1,000,745</u>
Total	<u>3,538,497</u>	<u>4,121,182</u>

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

9. Property, plant and equipment

	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Motor Vehicles	Plant Equipment	Leasehold Improvements	LCM Assets Under Construction	SKK Assets Under Construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost - Dec 31, 2013	1,456,239	341,538	248,430	499,662	15,175,317	4,638,617	765,912	8,593,956	31,719,671
Additions	416,488	15,502	7,674	23,256	30,596	8,312	3,857	-	505,685
Change in estimate	-	-	-	-	-	-	-	55,356	55,356
Transfers between classes	-	-	-	-	(236,414)	1,029,544	(793,130)	-	-
Disposals	(13,260)	(135,202)	(92,356)	(286,362)	(1,480,824)	(159,454)	-	-	(2,167,458)
Effect of movements in exchange rates	(42,724)	(917)	(5,808)	(3,225)	414,896	138,078	23,361	(176,685)	346,976
Balance - Sept 30, 2014	1,816,743	220,921	157,940	233,331	13,903,571	5,655,097	-	8,472,627	30,460,230
Accumulated depreciation and impairments - Dec 31, 2013	10,560	224,965	89,551	194,022	4,394,432	806,542	-	5,321,872	11,041,944
Additions	13,099	35,486	23,280	64,858	822,576	277,164	-	-	1,236,463
Transfers between classes	-	-	-	-	(64,276)	64,276	-	-	-
Impairment	-	-	5,042	-	-	62,295	-	357,951	425,288
Disposals	-	(112,542)	(48,316)	(150,422)	(1,154,388)	(146,954)	-	-	(1,612,622)
Effect of movements in exchange rates	(597)	(370)	(1,287)	(1,660)	125,901	19,538	-	(126,331)	15,194
Balance - Sept 30, 2014	23,062	147,539	68,270	106,798	4,124,245	1,082,861	-	5,553,492	11,106,267
Net Book Value - Dec 31, 2013	1,445,679	116,573	158,879	305,640	10,780,885	3,832,075	765,912	3,272,084	20,677,727
Net Book Value - Sept 30, 2014	1,793,681	73,382	89,670	126,533	9,779,326	4,572,236	-	2,919,135	19,353,963

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

10. Exploration and Evaluation Assets

Rareco owns a 74% equity interest in Steenkampskraal Monazite Mine Ltd. ("SMM"), the company that is established to develop and operate the Steenkampskraal mine property. The Company acquired its exploration and evaluation assets when it acquired the shares of Rareco during 2010 and 2011. The value that was assigned to the exploration and evaluation asset is subject to foreign exchange gains and losses and is translated at the end of each period from South African rand to Canadian dollars with any changes charged to other comprehensive loss. During the nine months ended September 30, 2014, the South African rand weakened against the Canadian dollar by approximately 2.15%, resulting in a foreign exchange loss in other comprehensive loss.

	Exploration and evaluation asset
	\$
Balance - Dec 31, 2013	15,233,227
Effect of movement in exchange rates	(328,089)
Balance - Sept 30, 2014	14,905,138

11. Provisions

	Onerous lease contract	Separation benefits	Restoration provisions	Total
	\$	\$	\$	\$
Balance - Dec 31, 2013	1,241,820	357,500	2,561,542	4,160,862
Provisions settled	(434,803)	(195,000)	(1,190,497)	(1,820,300)
Revisions in estimate	639,789	-	(172,272)	467,517
Unwinding of discount	-	-	42,093	42,093
Effect of movement in exchange rates	37,886	-	31,766	69,652
Balance - Sept 30, 2014	1,484,692	162,500	1,272,632	2,919,824
Less: current portion	(451,809)	(162,500)	(39,489)	(653,798)
Non-current portion	1,032,883	-	1,233,143	2,266,026

Onerous lease contract

The Company's subsidiary, LCM, no longer occupies its Birkenhead premises and as such the Company has recognized a provision for an onerous lease. Included in the above provision is an amount for dilapidation. LCM believes that these properties will be sublet within two years to new tenants and as such the full contractual obligation left on the leases will not fall due. The amount recognized has been risk adjusted based on management's best estimate of the likelihood of subletting in the short-term with a probability also being applied to carrying the lease to full term. In the second quarter of 2014, management revised its estimate regarding the ability the sub-lease this property in the current UK market. Included in the provision is an estimate for rent concessions that may be required in the current market conditions. The provision has not been discounted due to the immaterial effect.

Separation benefits

The Company was obligated under existing agreements to pay separation benefits to certain former officers of the Company, an element of which will be paid over the next 6 - 9 months. The provision has not been discounted due to the immaterial effect.

Restoration provisions

a) SKK Reclamation

The Company has estimated the future undiscounted liability to restore the SKK property to be

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

approximately \$1.9 million, using a 6.5% inflation rate. The Company expects to rehabilitate and restore certain exploratory drill pads and roads over the next year, while the majority of reclamation and restoration costs are likely to be incurred near the end of the estimated project life. Actual restoration costs could be significantly different than what is currently estimated and will depend on future market prices to perform such work as the result of inflation in South Africa and other factors. The provision has been calculated using a discount rate of 8.23%, reflecting a risk-free interest rate in South Africa for the time frame being estimated to complete the estimated work. The provision includes amounts for the rehabilitation of site conditions that existed at the date of acquisition.

b) GWTI Restoration

Under the terms of GWTI's lease agreement, it was contractually responsible to restore its facilities to their original state. The Company estimated that the liability to restore the facilities to their original state was approximately US\$1,300,000 at the end of 2013. The Company paid \$1,092,500 to the purchaser of certain GWTI assets to assume the restoration liability (Note 5) and released the remainder of the provision. The provision had not been discounted due to the immaterial effect.

c) LCM Restoration

Under the terms of LCM's lease agreement, it is contractually responsible to restore its current facilities to their original state. The Company estimates that the liability to restore the facilities to their original state is approximately UK £250,000. The provision has not been discounted due to the immaterial effect.

d) Hoidas Lake Reclamation

Hoidas Lake is required to decommission the Hoidas Lake camp and properly dispose of samples in the future. The Company estimates that the liability associated with these activities will amount to \$72,536. In December 2013, the Company signed an option and joint venture agreement related to this property. As part of this contract, and before the joint venture partner earns any interest, the optionee is responsible for twenty-five percent of the reclamation liability for the historical camp and the disposal of a previous bulk sample. Accordingly, seventy-five percent of the liability has been recognized by the Company. The optionee will become up to fifty-one percent responsible if it fulfils its requirements. The provision has not been discounted due to the immaterial effect.

12. Convertible bonds

On April 5, 2012, the Company closed its offering of US\$90 million of secured convertible bonds. The bonds have a term of 5 years, mature on April 6, 2017 and bear interest at 8% per annum, payable semi-annually, commencing October 5, 2012. The funds received will be used to advance the proposed mining and processing projects in South Africa, advance the capital expansion at LCM and for general working capital.

Due to the variable conversion feature of the convertible bonds, the financial instrument is considered to be a hybrid instrument that contains an embedded derivative. As a result, the conversion option of the bond (the embedded derivative) is bifurcated from the debt portion of the bond. Each component of the bond is described below.

Convertible bonds - debt component

The debt component is determined by taking the face value of the bonds less the original fair value of the embedded conversion option of US\$33,818,182 calculated at inception and the allocated transaction costs of US\$3,741,447. The debt portion of the convertible bonds is carried at amortized cost using the effective interest rate method. The discount totaling US\$37,559,629 will be charged to finance costs and accreted to the liability over the term of the bonds until the amortized cost equals the face value of US\$90 million. The effective interest rate to accrete the discounted amount over the life of the convertible bonds is 21.38%.

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

Convertible bonds – embedded conversion option

The conversion option is an embedded derivative that must be fair valued through profit and loss and will be revalued every reporting period. The fair value of the conversion option was determined using a bond pricing model as it is considered a Level 3 financial instrument in the fair value hierarchy. Given the Company's current share price the fair value of the conversion option at September 30, 2014 is approximately \$0.

Summary of components of the convertible bonds carrying values

	<u>Amount</u>
	\$
Convertible bonds – debt component	
Balance – Dec 31, 2013	65,824,047
Amortization of discount	5,492,562
Foreign exchange effects	3,620,516
Convertible bonds – debt component – Sept 30, 2014 (amortized cost)	74,937,125
Convertible bonds – debt component – Sept 30, 2014 (fair value)	43,397,256
Accrued interest	
Balance – Dec 31, 2013	1,830,327
Interest expense	5,888,551
Foreign exchange loss	179,302
Interest paid	(3,976,344)
Accrued interest included in accrued liabilities – Sept 30, 2014	3,921,836

Since the debt was raised for specific purposes, capitalization of interest will commence only when expenditures for a specific asset have commenced and cease upon their suspension or completion. During the period, finance charges (including interest, amortization of bond issue costs and the amortization of the discount related to the embedded conversion option) were \$11,381,112 (2013 - \$9,794,390). Of this amount, \$0 (September 30, 2013 - \$738,158) was capitalized to property, plant and equipment and \$11,381,112 (September 30, 2013 - \$9,056,231) was expensed.

13. Share capital and share based payments

a) Share capital

The Company has an unlimited number of common shares, without par value, authorized for issuance. At September 30, 2014, there were 418,738,174 (December 31, 2013 – 418,738,174) common shares outstanding.

b) Share option plan

The Company has established a Stock Option Plan ("share option plan") under which options may be granted to directors, officers, employees and consultants. Options granted have an exercise price of not less than the discounted market price of the common shares on the stock exchange on which the shares are traded calculated on the date of issuance and are exercisable into one common share. Certain options vest after four months, other options vest after one or two years. All options expire five years from the date granted.

Stock based compensation

The fair value of share options issued in the period is estimated using the Black-Scholes option pricing model, with assumptions being made for each of the following variables: risk-free rate, volatility factor, dividend yield, weighted-average expected option life and expected forfeiture rate. Expected volatility is estimated by considering average share price volatility. The expense for the nine month period ended September 30, 2014 of \$67,535 (September 30, 2013 - \$741,224) was determined based on the vesting requirements of the options granted and using the assumptions described below to determine the option's fair value.

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

In the first nine months of 2014, the Company granted 1,200,000 share options to directors and employees. The grants have a weighted average exercise price of \$0.10 and are exercisable over 5 years. Assumptions used in the pricing model were: an expected life of the options of 3 to 4 years; risk free rates ranging from 1.27% to 1.30%; an annualized volatility rate ranging from 84.37% to 84.65%; a forfeiture rate of 18.82% to 19.14%, and a dividend rate of nil.

Options outstanding

Options movements during the period ended September 30, 2014, including weighted average exercised prices are as follows:

	Number of Options	Weighted Average Price
		\$
Balance – Dec 31, 2013	27,245,000	0.42
Options granted	1,200,000	0.10
Options lapsed	(5,735,000)	0.38
Balance – Sept 30, 2014	22,710,000	0.41

For options outstanding and exercisable at September 30, 2014, the range of exercise prices; weighted average exercise price and the weighted average remaining contractual life is as follows:

Option Price Per Share	Outstanding			Exercisable	
	Options Sept 30, 2014	Weighted Average Exercise Price	Weighted Average Remaining Life	Options Sept 30, 2014	Weighted Average Exercise Price
\$		\$			\$
0.10-0.17	5,800,000	0.15	3.74	5,800,000	0.15
0.18-0.33	1,000,000	0.25	2.77	1,000,000	0.25
0.34-0.38	4,225,000	0.35	0.13	4,225,000	0.35
0.39-0.54	3,900,000	0.48	1.54	3,900,000	0.48
0.55-0.62	4,185,000	0.60	1.70	4,185,000	0.60
0.63-0.85	3,600,000	0.66	2.45	3,600,000	0.66
0.10-0.85	22,710,000	0.41	2.07	22,710,000	0.41

c) Warrants

On certain issues of common shares, the Company has attached warrants entitling the holder to acquire additional common shares of the Company. At September 30, 2014, there were 11,805,103 (December 31, 2013 – 11,805,103) common shares outstanding. The warrants have an exercise price of \$0.50 and expire between November 6, 2014 and January 25, 2015.

14. Exploration and evaluation

Property	Sept 30 2014	Sept 30 2013
	\$	\$
SKK	2,293,646	6,064,383
Red Wine	-	700
Hoidas Lake	1,267	71,995
Benjamin River	-	30,031
Other	-	11,745
Exploration and evaluation	2,294,913	6,178,854

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

15. Commitments and contingencies

a) Contract Dispute

In February of 2013, the Company announced that as a result of an internal investigation into the activities of the Company's former SKK Project Director, suspicions were raised about contracting activities. Because irregularities were found during the Company's review, the Company filed a complaint and cooperated with the South African police to investigate the possibility of criminal activity.

The Company continues with its legal proceedings with respect to the activities of a contractor that performed the majority of the mine refurbishment, earthworks and certain exploration and evaluation work during 2011 and 2012 at its SKK Project before their contract was terminated. The Company paid approximately \$12.2 million out of an invoiced amount of approximately \$16.5 million (exclusive of VAT). The Company engaged independent quantity surveyors and engineers to assess the completed and partially completed works and estimated the value of the work to be significantly less than the \$12.2 million paid by the Company resulting in the Company taking an impairment charge in the 2012 financial statements of \$6.5 million. The Company is pursuing all available options, including the commencement of civil claims, to recover any damages which may have occurred. The Company has served the particulars of its claim and during the second quarter of 2013 received the First Defendant's Plea and Counterclaim from the contractor for unpaid invoices as well as additional amounts for breach of contract and interest. The Counterclaim totals 53.9 million South African rand or approximately \$5.4 million Canadian. The parties had finalized their respective pleadings and the Company is working through the discovery process. The Company does not believe that it is more likely than not that it will be required to pay this amount and accordingly has not recorded any portion of this amount in the financial statements.

b) Flow-through shares indemnification

The Company has provided an indemnification to subscribers of flow-through shares in an amount equal to the income tax that would be payable by subscribers in the event, and as a consequence of the Company not incurring and renouncing qualifying CEE as required under the subscription agreements.

The Company did not incur \$3,569,574 of qualifying CEE by December 31, 2009 and as such is liable for any tax that will be payable by subscribers as a result.

The Company had estimated a liability of \$1,570,745 to indemnify the subscribers for the reduced renunciations. The Company has begun to pay subscribers based on reassessments they had received from the Canada Revenue Agency. As at September 30, 2014, the Company has reimbursed subscribers for \$149,220 related to the indemnification clause in the subscription agreements as well as \$21,363 in interest. Estimated interest relating to the indemnification of subscribers since 2009 of \$318,209 is accrued at September 30, 2014, net of interest paid to subscribers. The Company will continue to reimburse subscribers once additional reassessments have been submitted to the Company and properly verified.

c) Lease commitments

The following table summarizes the future minimum lease payments of the Company's leases:

Less than 1 year	2 to 3 years	4 to 5 years	After 5 years	Total future minimum lease payments at September 30, 2014
\$	\$	\$	\$	\$
798,885	1,500,935	1,259,366	4,227,092	7,786,278

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

16. Wages and benefits

The following wages and benefit expenses were incurred:

	Sept 30 2014	Sept 30 2013 Revised (note 5)
	<u>\$</u>	<u>\$</u>
Wages and salaries	4,034,570	4,865,580
Other benefits	249,510	323,337
Contributions to defined contribution plans	<u>178,270</u>	<u>146,424</u>
Total wages and benefits from continuing operations	<u>4,462,350</u>	<u>5,335,341</u>
Total wages and benefits from discontinued operation	<u>159,092</u>	<u>398,206</u>
Share based compensation	<u>67,535</u>	<u>741,224</u>

17. Related party transactions

The Company transacts with key individuals from management and with its directors who have authority and responsibility to plan, direct and control the activities of the Company. These transactions include payments for services rendered and compensation. Key management personnel are defined as the officers and directors of the Company.

a) Services rendered

During the period, legal services were rendered by law firms of which a director or officer of the Company is a partner or an associate. These transactions are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. All outstanding balances are settled in cash by their due dates.

	Sept 30 2014	Sept 30 2013
	<u>\$</u>	<u>\$</u>
Legal services rendered by related parties	<u>85,941</u>	<u>279,084</u>
Total legal services rendered during the period	<u>1,175,606</u>	<u>938,995</u>

b) Management compensation

During the period, salaries, benefits, consulting fees and options were paid or granted to directors, officers or companies controlled by directors or officers. The following summarizes the management compensation expense.

	Sept 30 2014	Sept 30 2013
	<u>\$</u>	<u>\$</u>
Wages	1,230,479	1,811,998
Benefits	188,751	269,168
Stock based compensation	<u>45,006</u>	<u>524,888</u>
Total	<u>1,464,236</u>	<u>2,606,054</u>

The above transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The fair value of share based payments was determined using the Black-Scholes model (Note 13).

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

c) Accounts payable and provisions

At September 30, 2014 amounts totaling \$261,774 (2013 - \$603,928) were due to officers and directors or former officers of the Company as well as related party law firms. The majority of the amount relates to separation benefits to certain former officers of the Company, which will be paid over the next 9 months (2013 – 21 months).

18. Segment information

Business segments

The Company has one reportable segment and its remaining costs are not separately reportable. The manufacturing services segment involves the manufacturing and supply of rare earth based alloys, high purity metals, and ultra-high purity indium. The all other segments category includes information about other business activities that are not separately reportable and include the Company's head office activities such as financing, general and administration as well as exploration and evaluation activities.

Below is a summary of the Company's segmented loss for the period ending September 30, 2014 with comparative information:

Segmented profit and loss

	For the period ended Sept 30, 2014		
	Manufacturing Services	All Other Segments	Total
	\$	\$	\$
Sales	18,836,983	-	18,836,983
Cost of materials	15,261,105	-	15,261,105
Gross Margin	3,575,878	-	3,575,878
Expenses			
General expenses	4,134,273	5,755,734	9,890,007
Exploration and evaluation	-	2,294,913	2,294,913
Impairment of property, plant and equipment	-	425,288	425,288
Depreciation and amortization	1,034,626	280,709	1,315,335
Interest expense	-	11,450,386	11,450,386
Foreign exchange loss	13,157	2,993,999	3,007,156
Total expenses	5,182,056	23,201,029	28,383,085
Other income (expense)			
Interest and other income (expense)	9,581	(31,260)	(21,679)
Loss before income taxes	(1,596,597)	(23,232,289)	(24,828,886)
Income tax recovery	-	-	-
Net loss from continuing operations	(1,596,597)	(23,232,289)	(24,828,886)
Net loss from discontinued operation	(161,573)	-	(161,573)
Net loss	(1,758,170)	(23,232,289)	(24,990,459)

GREAT WESTERN MINERALS GROUP LTD.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

Financial Statements for the three and nine months ended September 30, 2014

(stated in Canadian dollars, unless otherwise stated)

	For the period ended Sept 30, 2013 (Revised – Note 3 and 5)		
	Manufacturing Services	All Other Segments	Total
	\$	\$	\$
Sales	11,602,716	-	11,602,716
Cost of materials	8,391,814	-	8,391,814
Gross Margin	3,210,902	-	3,210,902
Expenses			
General expenses	3,157,302	9,610,754	12,768,056
Exploration and evaluation	-	6,178,854	6,178,854
Impairment of property, plant and equipment	153,487	-	153,487
Depreciation and amortization	769,584	238,820	1,008,404
Interest expense	24,475	9,169,550	9,194,025
Foreign exchange loss	50,396	451,002	501,398
Total expenses	4,155,244	25,648,980	29,804,224
Other income (expense)			
Interest and other income (expense)	(653)	154,900	154,247
Gain on embedded conversion option	-	6,917,840	6,917,840
Loss before income taxes	(944,995)	(18,576,240)	(19,521,235)
Income tax recovery	-	115,155	115,155
Net loss from continuing operations	(944,995)	(18,461,085)	(19,406,080)
Net loss from discontinued operation	(503,451)	-	(503,451)
Net loss	(1,448,446)	(18,461,085)	(19,909,531)

19. Statement of cash flows

During the period ended September 30, net changes in non-cash items related to operations included the following:

	Sept 30 2014	Sept 30 2013 (Revised – Note 5)
	\$	\$
Accounts receivable	1,485,421	(226,882)
Inventories	582,685	(634,382)
Deposits and prepaid expenses	993,121	(1,017,633)
Accounts payable and accrued liabilities	1,647,153	(180,592)
Provisions related to operations	9,986	(914,038)
Change in bond interest payable included in accounts payable	(2,091,509)	(1,823,758)
Foreign exchange differences and other	3,014,275	800,956
Total	5,641,132	(3,996,329)

20. Events after the reporting date

The Company paid US\$3,600,000 in interest on October 6, 2014 in accordance with the terms of the bonds.

The Company returned the share certificate of Steenkampskraal Thorium Ltd. (“STL”), eliminating the Company’s interest in STL, and effectively unwinding the Thorium Agreement. The investment in STL is accounted for on an equity basis which is currently valued at nil. The above transaction will have no impact on the Company’s financial statements.