



(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2015

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GWR RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

(Unaudited)

As at	December 31, 2015	September 30, 2015
ASSETS		
Current		
Cash	\$ 135,640	\$ 311,368
Receivables	15,766	21,932
Prepays	14,713	8,713
	<u>166,119</u>	<u>342,013</u>
Reclamation deposits (Note 4)	110,000	110,000
Other assets	1,008	1,008
Assets held-for-sale (Note 7)	155,000	155,000
Property, plant and equipment (Note 5)	66,139	69,910
Exploration and evaluation assets (Note 6)	2,488,909	2,488,909
	<u>\$ 2,987,175</u>	<u>\$ 3,166,840</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 236,345	\$ 242,388
Other liabilities (Note 10)	34,889	34,889
Current portion of long-term debt (Note 9)	87,320	86,808
	<u>358,554</u>	<u>364,085</u>
Shareholders' equity		
Share capital (Note 10)	35,105,414	35,105,414
Reserves (Note 10)	12,284,496	12,284,496
Deficit	(44,761,289)	(44,587,155)
	<u>2,628,621</u>	<u>2,802,755</u>
	<u>\$ 2,987,175</u>	<u>\$ 3,166,840</u>

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 13)

Approved and authorized by the Board on February 29, 2016:

"Rolf Van Driesum"

Director

"David Brett"

Director

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

GWR RESOURCES INC.

CONDENSE INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian Dollars)

(Unaudited)

For the period ended December 31	2015	2014
EXPENSES		
Depreciation (Note 5)	\$ 3,771	\$ 10,107
Exploration and evaluation expenditures (Notes 8, and 11)	130,720	-
BCMETC refund	(25,870)	-
Filing and regulatory	957	1,374
Office and other	16,222	1,538
Management and consulting (Note 11)	25,415	15,148
Professional fees	8,946	18,049
Income (loss) before other items and taxes	(160,161)	(46,216)
OTHER ITEMS		
Gain on extinguishment of debt	4,509	-
Legal provision (Note 13)	(18,482)	-
Comprehensive (loss) income for the period	\$ (174,134)	\$ (46,216)
Basic and diluted income (loss) per common share	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding	157,425,542	149,425,542

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

GWR RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

(Unaudited)

For the period ended December 31	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	\$ (174,134)	\$ (46,216)
Non-cash items:		
Depreciation	3,771	10,107
Gain on extinguishment of debt	(4,509)	-
Long-term debt accrued interest	512	-
Legal provision (Note 13)	18,482	-
Changes in non-cash working capital items:		
Receivables	6,166	9,961
Prepays	(6,000)	(16,050)
Accounts payable and accrued liabilities	(20,016)	(16,664)
Net cash provided by (used in) operating activities	(175,728)	(58,862)
Change in cash during the period	(175,728)	(58,862)
Cash, beginning of period	311,368	85,940
Cash, end of period	\$ 135,640	\$ 27,078

There were no significant non cash transactions during the periods ended December 31, 2014 and 2015

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

GWR RESOURCES INC.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

(Unaudited)

	<u>Share capital</u>				
	<u>Number</u>	<u>Amount</u>	<u>Reserves</u>	<u>Deficit</u>	<u>Total</u>
Balance, September 30, 2014	149,425,542	\$ 34,892,826	\$ 12,109,827	\$ (43,898,387)	\$ 3,104,266
Loss for the period	-	-	-	(46,216)	(46,216)
Balance, December 31, 2014	149,425,542	34,892,826	12,109,827	(43,944,603)	\$ 3,058,050
Private placements	8,000,000	280,000	-	-	280,000
Share issuance costs – cash	-	(53,243)	-	-	(53,243)
Share issuance costs – warrants	-	(14,169)	14,169	-	-
Share-based payments	-	-	160,500	-	160,500
Loss for the period	-	-	-	(642,552)	(642,552)
Balance, September 30, 2015	157,425,542	35,105,414	12,284,496	(44,587,155)	2,802,755
Loss for the period	-	-	-	(174,134)	(174,134)
Balance, December 31, 2015	157,425,542	\$ 35,105,414	\$ 12,284,496	\$ (44,761,289)	\$ 2,628,621

See Note 10

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

GWR RESOURCES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2015

(Unaudited)

1. NATURE OF OPERATIONS AND THE ABILITY TO CONTINUE AS A GOING CONCERN

GWR Resources Inc. (the "Company") was incorporated in British Columbia under the Business Corporations Act. The Company is in the business of exploring for and evaluating economically viable mineral properties in Canada.

The Company's head office, principal, registered and records office is 733 – 510 West Hastings Street, Vancouver, BC V6B 1L8.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These condensed interim financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. For the period ended December 31, 2015 the Company incurred a loss of \$174,134 and has an accumulated deficit of \$44,761,289 and expects to incur further losses in the development of its business. Moreover, the Company has an outstanding debt in the amount of \$87,320 to a third party which is in default and is presently for sale. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the ability of the Company to continue to obtain debt or equity financing in the short term, the continued support of related parties, and ultimately, on locating economically recoverable ore reserves in its mineral properties. Management believes the Company will be successful at securing additional funding, however, there is no assurance that such plans will be successful.

If the Company is unable to obtain adequate additional financing and the continued support of related parties, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

The condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

The condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Use of Estimates and Judgments

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

Critical accounting estimates

- i. The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

GWR RESOURCES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2015

(Unaudited)

2. BASIS OF PREPARATION (cont'd...)

Use of Estimates and Judgments (cont'd...)

Critical accounting estimates

- ii. Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Critical accounting judgments

- i. The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.
- ii. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- iii. The estimate for contingencies and settlement provisions require management to make judgments as to the likelihood of outcomes, and estimates of the timing and the possible outflow of economic benefits.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended December 31, 2015:

- IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets⁽ⁱ⁾
- IFRS 11 (Amendment) Amendment to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business.⁽ⁱⁱ⁾

(i) Effective for annual periods beginning on or after January 1, 2018

(ii) Effective for annual periods beginning on or after January 1, 2016

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

4. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The Company is contingently liable to the HSBC Bank of Canada in connection with letters of guarantee issued by the bank on behalf of the Ministry of Energy and Mines in the amount of \$110,000 (September 30, 2015 - \$110,000), subsequent to December 31, 2015 the Company made an additional deposit of \$15,000. The letters of guarantee are secured by certificates of deposits.

GWR RESOURCES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2015

(Unaudited)

5. PROPERTY, PLANT AND EQUIPMENT

	Field Equipment	Vehicles	Office Furniture	Computer Equipment	Software	Buildings	Land	Total
Cost								
Balance, September 30, 2014	\$ 112,682	\$ 114,513	\$ 57,043	\$ 37,329	\$ 46,248	\$ 495,125	\$ 66,752	\$ 929,692
Disposals (Note 8)	(3,000)	-	-	-	-	(495,125)	(66,752)	(564,877)
Balance, September 30, and December 31, 2015	\$ 109,682	\$ 114,513	\$ 57,043	\$ 37,329	\$ 46,248	-	-	\$ 364,815
Accumulated depreciation								
Balance, September 30, 2014	81,831	68,802	49,523	32,131	41,925	100,438	-	374,650
Additions	6,170	9,142	1,504	1,716	2,161	13,156	-	33,849
Disposals	-	-	-	-	-	(113,594)	-	(113,594)
Balance, September 30, 2015	88,001	77,944	51,027	33,847	44,086	-	-	294,905
Additions	1,085	1,828	301	287	270	-	-	3,771
Balance, December 31, 2015	89,086	79,772	51,328	34,134	44,356	-	-	298,676
As at September 30, 2015	\$ 21,681	\$ 36,569	\$ 6,016	\$ 3,482	\$ 2,162	\$ -	\$ -	\$ 69,910
As at December 31, 2015	\$ 20,596	\$ 34,741	\$ 5,715	\$ 3,195	\$ 1,892	\$ -	\$ -	\$ 66,139

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS

	<u>Lac La Hache</u>
Balance, September 30, 2014, 2015, and December 31, 2015	\$ 2,488,909

(1) Balance represents acquisitions costs paid by the Company.

Lac La Hache

The following descriptions apply to adjacent properties in the Clinton Mining and Cariboo Divisions located near Lac La Hache, British Columbia:

a) Miracle/Murphy

The Company owns a 100% interest in four mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated October 27, 1994, there is a 1% net smelter return ("NSR") due to the original vendor to a maximum of \$1,500,000.

b) Peach Lake

The Company owns an 100% interest in seven mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated December 1, 1994, there is a 3% NSR due to the original vendor on four of the seven claims to a maximum of \$500,000.

c) Ann

The Company owns a 100% interest in two mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreements, the Company is not required to pay a NSR to the original vendor.

d) Murphy Lake

The Company owns a 100% interest in six mineral claims located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated June 3, 1997, the Company has agreed with the original vendor to issue 300,000 (issued) common shares, when it is confirmed that an ore body exists and the plans to commence commercial production are in place, and pay a 3% NSR to a maximum of \$1,000,000. No shares have been issued to the date of these condensed interim financial statements.

e) PMA/Cassidy

The Company owns a 100% interest in four mineral claims, located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreement dated February 14, 2000, the Company is not required to pay a NSR to the original vendor.

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

f) Candorado Option Agreement

During the year ended September 30, 2012, the Company and Candorado Operating Company Ltd. entered into an option agreement whereby the Company acquired a 100% interest in certain unpatented mineral claims located east of Williams Lake, BC, near Lac La Hache. Consideration issued and paid was as follows:

- Cash payments of \$870,000;
- Common shares, issuance of 2,400,000 common shares, valued at \$600,000; and
- Share purchase warrants, issuance of 2,000,000 share purchase warrants with each warrant exercisable to purchase one additional common share at an exercise price of \$0.40 until January 2014. These warrants were valued at \$144,000.

The agreement was originally subject to a 2% NSR but this was waived by the vendor in an amendment to the agreement.

7. ASSETS HELD-FOR-SALE

During the year ended September 30, 2013, the Company decided to sell non-core Building and Land assets which is connected to the long-term debt (Note 9). As at December 31, 2015, assets held-for-sale had a fair value less cost to sell of \$155,000 (September 30, 2015 - \$155,000) made up of \$66,252 for Land and \$88,748 for Building.

8. ASSET SALE AND PREMISE OPERATING LEASE

On June 1, 2015, the Company completed a property sale (the "Transaction") with Bris Holdings Ltd. ("Bris"), a third party. The Company sold its building and land with carrying value of \$448,283 for gross proceeds of \$250,000 and recognized a loss on sale of \$198,283 to the statement of comprehensive income (loss). The Company entered into a rental agreement with Bris for a five-year term at \$2,000 per month plus applicable property taxes and insurance costs. During the period ended December 31, 2015, the Company recorded rental payments of \$8,047 in exploration and evaluation expenditures in the statement of comprehensive income (loss).

9. LONG-TERM DEBT

Payable in annual principal payments of \$20,000, commencing August 30, 2008, plus interest at prime rate, collateralized by a charge on land and building included in assets held-for-sale. As at December 31, 2015, there has been no settlement of the mortgage.

	December 31, 2015	September 30, 2015
Principal and accrued interest	\$ 87,320	\$ 86,808
Less current portion	<u>(87,320)</u>	<u>(86,808)</u>
	\$ -	\$ -

10. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

10. SHARE CAPITAL AND RESERVES (cont'd ...)

b) Issued share capital

There were no shares issued during the period ended December 31, 2014 and 2015.

During the year ended September 30, 2015, the Company completed a brokered private placement for 8,000,000 units at a price of \$0.05 per unit for gross proceeds of \$400,000. Each unit consist of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.10 for 2 years. In connection with the offering, the Company paid certain finder's \$32,000, filing fees of \$2,100 and issued 640,000 share purchase warrants with the same terms as above with a fair value of \$14,169 using the Black-Scholes pricing model using a share price of \$0.02 - \$0.04, expected life of 2 years, and a volatility of 168.46%. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$120,000. During the year, the Company spent \$283,703 of eligible flow-through expenditures and reduced the flow-through liability by \$85,111 to other income.

b) Stock options and warrants

The Company has a share purchase option plan approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, and employees. The share purchase option plan (the "2011 Rolling Option Plan") is based on the maximum number of eligible shares equaling a rolling percentage of 7.5% of the Company's outstanding common shares, and may not exceed 5% to any individual, calculated from time to time. Pursuant to the 2011 Rolling Option Plan, if outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the plan increases proportionately. The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts).

Under the Plan, if an optionee ceases to be a director, officer or employee for any reason other than death, this option shall terminate as specified by the Board and all rights to purchase common shares under such option shall cease and expire and be of no further force or effect. Options have a maximum term of five years and depending on who the optionee is and whether the optionee resigned or is terminated, will terminate on the effective date of resignation or termination or 18 months following termination, except in the case of death, in which case they terminate one year after death. Unless otherwise noted vesting of options is made at the time of granting of the options at the discretion of the Board of Directors. Vested options are exercisable at any time.

The Company did not grant any stock options for the period ended December 31, 2014 and 2015

Stock option and share purchase warrants transactions are summarized as follows:

	Options		Warrants	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, September 30, 2014	6,710,000	\$ 0.24	-	\$ -
Expired and cancelled	(6,110,000)	0.22	-	-
Granted	<u>5,050,000</u>	<u>0.07</u>	<u>8,640,000</u>	<u>0.10</u>
Balance, September 30 and December 31, 2015 outstanding and exercisable	5,650,000	\$ 0.12	8,640,000	\$ 0.10

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

10. SHARE CAPITAL AND RESERVES (cont'd ...)

c) Stock options and warrants (cont'd ...)

As at December 31, 2015, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry date
Stock Options	400,000	0.42	February 24, 2016
	800,000	0.25	December 28, 2016
	3,050,000	0.07	March 25, 2017
	<u>1,400,000</u>	0.07	June 15, 2017
	5,650,000		

As at December 31, 2015, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
Share Purchase Warrants	6,480,000	\$ 0.10	July 22, 2017
	<u>2,160,000</u>	0.10	August 20, 2017
	8,640,000		

11. RELATED PARTY TRANSACTIONS

Key management personnel comprise the Chief Executive Officer, Corporate Secretary, Vice President of Exploration and Directors of the Company. The remuneration of the key management personnel is as follows:

- Included in management and consulting fees was \$15,000 (2014 - \$6,000) for services provided by the CEO and \$3,000 (2014 - \$2,000) paid to the corporate secretary.
- Included in exploration and evaluation expenditures are \$24,400 (2014 - \$Nil) for geological consulting services provided by the Vice President of Exploration.

An amount of \$14,627 (September 30, 2015 - \$32,003) included in accounts payable is due to current and former management. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

12. CAPITAL MANAGEMENT

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital consists of shareholder's equity comprising: issued capital; share purchase warrants; reserves and deficit. The basis for the Company's capital structure is dependent on the Company's exploration programs. There were no changes in the Company's approach to capital management during the current year and the Company is not subject to externally imposed capital requirements, except when the Company issues flow-through shares. The Company is subject to certain requirements in relation to its use of funds raised through the issuance of flow-through shares. These funds have to be incurred for eligible exploration expenditures in accordance with Canadian federal and certain provincial income tax acts.

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

13. COMMITMENTS AND CONTINGENCIES

- i) From time to time, certain claims, suits, and complaints may arise in the ordinary course of operations against the Company. In the opinion of management, any provisions related to such claims, if any, will be accrued when the claims meet the recognition criteria for contingent liabilities. Management recorded a legal provision of \$73,482 for two claims against the Company and is not aware of any unrecorded material contingent liabilities which require recording in the condensed interim financial statements for the period ended December 31, 2015.

In addition to the above, a former senior officers of the Company commenced litigation against the Company alleging wrongful dismissal and claiming unspecified damages. The Company is defending the cases and believes they are without merit. No contingent liability has been recorded in relation to these legal proceedings.

- ii) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed interim financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, commodity prices, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2015, the Company is not materially exposed to market risk.

b) Interest Risk

Interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage risk. The Company's policy as it relates to its cash balances is to invest excess cash in a reputable Canadian chartered bank.

As of December 31, 2015, the Company's exposure to interest rate risk is as follows:

- | | |
|-------------------------------------|--|
| - Cash | - Variable interest rate |
| - Current portion of long-term debt | - Variable interest rate at prime rate |

A change in interest rates of 1% would not materially affect cash or the current portion of long-term debt.

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd...)***c) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is on its reclamation deposit.

Amounts receivable mainly consists of input tax credit receivables. Due to the nature of the assets, management believes that the credit risk concentration with respect to receivables is remote and no collateral is held as security for these balances. As at December 31, 2015, the Company had a receivables balance of \$15,766 (September 30, 2015 - \$21,932).

d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company anticipates that the current funds are not sufficient to support its corporate and administrative obligations on a continuous basis. Management is evaluating other alternatives to secure financing including additional equity offerings. However, there is no assurance that these initiatives will be successful. The amount and timing of additional funding will be impacted by among other things, the strength of the capital markets.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying values for: cash; receivables; long-term debt; and accounts payables and accrued liabilities, approximates fair value due to their short-term nature.

14. SUBSEQUENT EVENTS

On February 23, 2016, the Company completed a lease and option to purchase agreement with an arms-length third party to sell the assets-held-for-sale. The terms of the agreement entitle the optionees to purchase the property for \$165,000 until December 31, 2016 so long as they pay rent of \$900 per month and meet other conditions.

On February 29, 2016, the Provincial Court of Victoria found in favour of EMC Holdings Inc. in the amount of \$18,482 for claimed fees and expenses relating to the Company's former CEO John Van Driesum. The Company recorded a legal provision for the amount as of December 31, 2015 and plans to appeal the ruling.