



(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED JUNE 30, 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	June 30, 2015	September 30, 2014
ASSETS		
Current		
Cash	\$ 63,491	\$ 85,940
Receivables	346,206	30,677
Prepays	16,178	-
	<u>425,875</u>	<u>116,617</u>
Reclamation deposits (Note 3)	110,000	110,000
Other assets	1,008	1,008
Assets held-for-sale (Note 7)	-	185,000
Property, plant and equipment (Note 4)	521,721	555,042
Exploration and evaluation assets (Note 5)	<u>2,488,909</u>	<u>2,488,909</u>
	<u>\$ 3,547,513</u>	<u>\$ 3,456,576</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 225,989	\$ 267,663
Current portion of long-term debt (Note 6)	<u>86,533</u>	<u>84,647</u>
	312,522	352,310
Shareholders' equity		
Share capital (Note 8)	34,892,826	34,892,826
Reserves (Note 8)	12,270,327	12,109,827
Deficit	<u>(43,928,162)</u>	<u>(43,898,387)</u>
	<u>3,234,991</u>	<u>3,104,266</u>
	<u>\$ 3,547,513</u>	<u>\$ 3,456,576</u>

Nature of operations and the ability to continue as a going concern (Note 1)

Commitments and contingencies (Note 12)

Subsequent event (Note 15)

Approved and authorized by the Board on August XX, 2015:

"David Brett"

Director

"Rolf Van Driesum"

Director

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

GWR RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the nine months ended June 30, 2015	For the nine months ended June 30, 2014
EXPENSES				
Depreciation (Note 4)	\$ 10,107	\$ 12,168	\$ 30,321	\$ 36,507
Exploration and evaluation expenditures	10,600	6,107	22,600	122,879
BCMETS refund (Note 11)	-	(645,966)	-	(645,966)
Filing and regulatory	6,652	802	18,624	15,492
Office and other	23,695	17,679	37,435	28,190
Management and consulting	17,850	35,582	60,681	120,426
Professional fees	38,183	1,691	89,566	33,040
Share-based payments	36,400	-	160,500	-
Income (loss) before other items and taxes	(143,487)	571,937	(419,727)	289,432
OTHER ITEMS				
Gain on sale of assets held-for-sale	65,000	-	65,000	-
Reversal of gross negligence penalties (Note 14)	318,981	-	318,981	-
Gain on extinguishment of debt	-	48,491	5,971	48,491
Comprehensive income (loss) for the period	\$ 240,494	\$ 620,428	\$ (29,775)	\$ 337,923
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	149,425,542	149,425,542	149,425,542	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 nine months ended June 30	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	\$ (29,775)	\$ 337,923
Non-cash items:		
Depreciation	30,321	36,507
Long term debt accrued interest	1,886	-
Gain on extinguishment of debt	-	48,491
Gain on disposition of assets held-for-sale	(65,000)	-
Share-based payments	160,500	-
Changes in non-cash working capital items:		
Receivables	(315,529)	(552,713)
Prepaid expenses	(16,178)	-
Accounts payable and accrued liabilities	(38,674)	31,420
Net cash used in operating activities	<u>(272,449)</u>	<u>(98,372)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Return of reclamation deposit	<u>-</u>	<u>24,000</u>
Net cash provided in financing activities	<u>-</u>	<u>24,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance from related party	-	48,500
Proceeds from disposition of assets held-for-sale	<u>250,000</u>	<u>-</u>
Net cash provided by financing activities	<u>250,000</u>	<u>48,500</u>
Change in cash during the period	(22,449)	(25,872)
Cash, beginning of period	<u>85,940</u>	<u>26,369</u>
Cash, end of period	\$ 63,491	\$ 497

Supplemental disclosure with respect to cash flows (Note 11)

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, 2013	149,425,542	\$ 34,892,826	\$ 12,000,449	\$ (43,983,005)	\$ 2,910,270
Income for the period	-	-	-	337,923	337,923
Balance, June 30, 2014	149,425,542	34,892,826	12,000,449	(43,645,082)	3,248,193
Share-based payments	-	-	109,378	-	109,378
Loss for the period	-	-	-	(253,305)	(253,305)
Balance, September 30, 2014	149,425,542	34,892,826	12,109,827	(43,898,387)	3,104,266
Share-based payments	-	-	160,500	-	160,500
Loss for the period	-	-	-	(348,756)	(348,756)
Balance, June 30, 2015	149,425,542	\$ 34,892,826	\$ 12,270,327	\$ (44,247,143)	\$ 2,916,010

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 JUNE 30, 2015

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 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. At June 30, 2015, the Company has a working capital deficiency of \$205,628, has an accumulated deficit of \$44,247,143, and expects to incur further losses in the development of its business. Moreover, the Company has an outstanding debt in the amount of \$86,533 to a third party which is in default. 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 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 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:

GWR RESOURCES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED JUNE 30, 2015

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

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

Critical accounting estimates

- i. The determination of income tax and possible penalties, interest charges and indemnification provision related to over renounced flow-through shares under the look-back rule is inherently complex and requires making certain estimates and assumptions about future events. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes and related charges.

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. There is judgment required in determining whether exploration expenditures are eligible costs for renunciation.

New standards, interpretations and amendments adopted

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended September 30, 2014. There were no new standards and interpretations effective as of January 1, 2015 that would be applicable to the Company.

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 June 30, 2015:

IFRS 9	New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets(i)
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- (i) Effective for annual periods beginning on or after January 1, 2018

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.

3. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represents 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 Mines in the amount of \$110,000 (September 2014 - \$110,000). 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 JUNE 30, 2015

4. PROPERTY, PLANT AND EQUIPMENT

	Field Equipment	Vehicles	Office Furniture	Computer Equipment	Software	Buildings	Land	Total
Cost								
Balance, September 30, 2013, 2014	\$ 112,682	\$ 114,513	\$ 57,043	\$ 37,329	\$ 46,248	\$ 495,125	\$ 66,752	\$ 929,692
Disposals (Note 10)	(3,000)	-	-	-	-	-	-	(3,000)
Balance June 30, 2015	109,682	114,513	57,043	37,329	46,248	495,125	66,752	926,692
Accumulated depreciation								
Balance, September 30, 2013	74,119	57,374	47,643	29,570	37,603	79,665	-	325,974
Additions	7,712	11,428	1,880	2,561	4,322	20,773	-	48,676
Balance, September 30, 2014	81,831	68,802	49,523	32,131	41,925	100,438	-	374,650
Additions	4,628	6,857	1,128	1,286	1,621	14,801	-	30,321
Balance, June 30, 2015	86,459	75,659	50,651	33,417	43,546	115,239	-	404,971
As at September 30, 2014	\$ 30,851	\$ 45,711	\$ 7,520	\$ 5,198	\$ 4,323	\$ 394,687	\$ 66,752	\$ 555,042
As at June 30, 2015	\$ 23,223	\$ 38,854	\$ 6,392	\$ 3,912	\$ 2,702	\$ 379,886	\$ 66,752	\$ 521,721

GWR RESOURCES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED JUNE 30, 2015

5. EXPLORATION AND EVALUATION ASSETS

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

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 80% 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 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 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.

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.

GWR RESOURCES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED JUNE 30, 2015

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

g) Red Mineral claim

During the period ended June 30, 2015, the Company acquired 100% interest in the Red Mineral Claim that is located adjacent to the Lac La Hache property. Under the terms of the agreement dated April 21, 2015, there is a 1.5% NSR due to the original vendor purchasable by the Company for \$3,000,000.

6. 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 June 30, 2015, there has been no settlement of the mortgage.

	June 30, 2015	September 30, 2014
Principal and accrued interest	\$ 86,533	\$ 84,647
Less current portion	(86,533)	(84,647)
	\$ -	\$ -

7. ASSETS HELD-FOR-SALE

During the year ended September 30, 2013, the Company decided to sell non-core Building and Land which is connected to the long-term debt in Note 6 and classified these assets as assets held for sale. During the period ended June 30, 2015, the Company sold these assets with a carrying of \$185,000 for aggregate proceeds of \$250,000 and recognized a gain on sale of \$65,000 on the statements of comprehensive income (loss).

8. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

b) Issued share capital

There were no shares issued during the period ended June 30, 2015 and the year ended September 30, 2014.

c) 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).

GWR RESOURCES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED JUNE 30, 2015

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

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

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 granted 5,050,000 stock options to directors, officers and employees of the Company during the periods ended June 30, 2015. The Company did not grant any stock options for the period ended June 30, 2014

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, 2013	7,060,000	\$ 0.24	6,007,499	\$ 0.29
Expired and cancelled	(350,000)	0.17	(6,007,499)	0.29
Balance, September 30, 2014	6,710,000	0.24	-	-
Expired and cancelled	(5,210,000)	0.24	-	-
Granted	5,050,000	0.07	-	-
Balance, June 30, 2015 outstanding and exercisable	6,550,000	\$ 0.12	-	\$ -

As at June 30, 2015, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry date
Stock Options	700,000	\$ 0.20	September 3, 2015
	400,000	0.42	February 24, 2016
	400,000	0.25	December 28, 2016
	3,650,000	0.07	March 25, 2017
	1,400,000	0.07	June 15, 2017
	6,550,000		

During the period ended June 30, 2015, the Company granted 5,050,000 (2014 – Nil) options with a weighted-average fair value of \$0.03 per option (2014 - \$Nil) to directors, officers and consultants. Total share-based payments recognized in the statement of comprehensive income (loss) for the period ended June 30, 2015 is \$160,500 (2014 - \$Nil) for incentive options granted and vested. This amount was also recorded as reserves on the statement of financial position.

GWR RESOURCES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED JUNE 30, 2015

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

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

The following weighted average assumptions were used for the valuation of stock options:

	2015	2014
Risk-free interest rate	0.74%	-
Expected life of options	2 years	-
Annualized volatility	223.02%	-
Dividend rate	0.00%	-
Forfeiture rate	0.00%	-

9. RELATED PARTY TRANSACTIONS

Key management personnel comprise of the Chief Executive Officer, Chief Financial Officer, and Directors of the Company. The remuneration of the key management personnel is as follows:

- Included in management and consulting fees was \$29,000 (2014 - \$90,000) for services provided by the CEO.
- Included in consulting fees as part of exploration costs of \$20,600 (2014 - \$89,259) for services provided by the VP of Exploration.
- Recorded share-based payments expense of \$150,200 (2014 - Nil) to Directors and Officers for stock options granted during the period.

An amount of \$66,124 (2014 - \$266,589) included in accounts payable is due to key management. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

10. 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 period 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.

11. SUPPLEMENTARY CASH FLOW INFORMATION

During the period ended June 30, 2015, the Company:

- a) Settled \$3,000 of accounts payable through the exchange of property, plant and equipment.

During the period ended June 30, 2014, the Company:

- a) Included \$645,966 in receivables and recognized on the statement of comprehensive income (loss) the minimum BC METC claim refund due from the Canada Revenue Agency.

GWR RESOURCES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED JUNE 30, 2015

12. COMMITMENTS AND CONTINGENCIES

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 is not aware of any unrecorded material contingent liabilities which require recording in the financial statements for the period ended June 30, 2015.

13. 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 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 June 30, 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 June 30, 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.

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 cash and 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 June 30, 2015, the Company had a receivables balance of \$27,225 (September 30, 2014 - \$30,677).

GWR RESOURCES INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED JUNE 30, 2015

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd ...)*

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; reclamation deposit; receivables; finance leases; long-term debt; and accounts payables and accrued liabilities, approximates fair value due to their short-term nature.

14. INCOME TAXES

Subsequent to June 30, 2015, the Company received a letter from the CRA reversing previous gross negligence penalties resulting in a receivable in the amount of \$318,981.

15. SUBSEQUENT EVENT

Subsequent to the period ended June 30, 2015, the Company completed a non-brokered private placement of 8,000,000 flow-through units (the "Units") at a price of \$0.05 per unit for gross proceeds of \$400,000. Each Unit consists of one flow-through common share and one non-transferable share purchase warrant exercisable at \$0.10 for two years.

The Company paid \$32,000 in finders' fees (8%) in connection with the financing, and issued 640,000 non-transferable finder's warrants (the "Finder's Warrants") to an eligible arm's length finder. Each Finder's Warrant is exercisable into a common share at a price of \$0.10 per share until August 21, 2017 as to 160,000 of the warrants and July 23, 2017 as to 480,000 of the warrants.