



**GWR RESOURCES INC.**

(An Exploration Stage Company)

**CONDENSED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE PERIOD ENDED MARCH 31, 2014**

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

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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	March 31, 2014	September 30, 2013
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 3,126	\$ 26,369
Receivables	680,920	73,991
	<u>684,046</u>	<u>100,360</u>
<b>Reclamation deposits</b> (Note 3)	134,000	134,000
<b>Other assets</b>	1,008	1,008
<b>Assets held-for-sale</b> (Note 4)	194,251	194,251
<b>Property, plant and equipment</b> (Note 4)	579,379	603,718
<b>Exploration and evaluation assets</b> (Note 5)	<u>28,227,165</u>	<u>28,756,359</u>
	<u>\$ 29,819,849</u>	<u>\$ 29,789,696</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 706,898	\$ 534,512
Advance from related party (Note 8)	23,500	-
Current portion of long-term debt (Note 6)	<u>77,464</u>	<u>77,464</u>
	<u>807,862</u>	<u>611,976</u>
<b>Deferred taxes</b>	<u>3,035,000</u>	<u>3,035,000</u>
	<u>3,842,862</u>	<u>3,646,976</u>
<b>Shareholders' equity</b>		
Share capital (Note 7)	34,892,826	34,892,826
Reserves (Note 7)	12,000,449	12,000,449
Deficit	<u>(20,916,288)</u>	<u>(20,750,555)</u>
	<u>25,976,987</u>	<u>26,142,720</u>
	<u>\$ 29,819,849</u>	<u>\$ 29,789,696</u>

**Nature of operations and the ability to continue as a going concern** (Note 1)  
**Commitments and contingencies** (Note 11)

Approved and authorized by the Board on May 26, 2014:

\_\_\_\_\_  
*"John Van Driesum"* Director      \_\_\_\_\_  
*"Rob Shives"* Director

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

**GWR RESOURCES INC.**

## CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended March 31, 2014	For the three months ended March 31, 2013	For the six months ended March 31, 2014	For the six months ended March 31, 2013
<b>EXPENSES</b>				
Depreciation (Note 4)	\$ 12,170	\$ 17,227	\$ 24,339	\$ 34,379
Employee costs	-	-	-	23,699
Filing and regulatory	8,320	3,183	14,690	8,730
Office and other	7,309	9,002	10,511	18,116
Management and consulting	43,125	40,971	84,844	74,971
Professional fees	8,152	21,913	31,349	41,978
Travel and promotion	-	2,817	-	19,056
<b>Loss before other items and taxes</b>	<b>(79,076)</b>	<b>(95,113)</b>	<b>(165,733)</b>	<b>(220,929)</b>
<b>OTHER ITEMS</b>				
Interest income	-	-	-	707
	-	-	-	707
<b>Loss and comprehensive loss for the period</b>	<b>\$ (79,076)</b>	<b>\$ (95,113)</b>	<b>\$ (165,733)</b>	<b>\$ (220,222)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>149,425,542</b>	<b>149,425,542</b>	<b>149,425,542</b>	<b>149,425,542</b>

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 six months ended March 31	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (165,733)	\$ (220,222)
Non-cash items:		
Depreciation	24,339	34,379
Changes in non-cash working capital items:		
Receivables	39,037	76,424
Prepaid expenses	-	(16,901)
Accounts payable and accrued liabilities	83,711	(7,151)
Net cash used in operating activities	<u>(18,646)</u>	<u>(133,471)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditures	(28,097)	(481,465)
Equipment purchases	-	(451)
Net cash used in investing activities	<u>(28,097)</u>	<u>(481,916)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance from related party	23,500	-
Payments for finance leases	-	(12,154)
Net cash provided by (used in) financing activities	<u>23,500</u>	<u>(12,154)</u>
<b>Change in cash during the period</b>	<b>(23,243)</b>	<b>(627,541)</b>
<b>Cash, beginning of period</b>	<b><u>26,369</u></b>	<b><u>638,646</u></b>
<b>Cash, end of period</b>	<b>\$ 3,126</b>	<b>\$ 11,105</b>

**Supplemental disclosure with respect to cash flows** (Note 10)

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>
<b>Balance, September 30, 2012</b>	149,425,542	\$ 34,892,826	\$ 11,854,549	\$ (21,752,089)	\$ 24,995,286
Income for the period	-	-	-	(220,222)	(220,222)
<b>Balance, March 31, 2013</b>	149,425,542	34,892,826	11,854,549	(21,972,311)	24,775,064
Share-based payments	-	-	145,900	-	145,900
Income for the period	-	-	-	1,221,756	1,221,756
<b>Balance, September 30, 2013</b>	149,425,542	34,892,826	12,000,449	(20,750,555)	26,142,720
Income for the period	-	-	-	(165,733)	(165,733)
<b>Balance, March 31, 2014</b>	149,425,542	\$ 34,892,826	\$ 12,000,449	\$ (20,916,288)	\$ 25,976,987

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 MARCH 31, 2014

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#### **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 address registered office is PO Box 563, Lac La Hache, BC, V0K 1T0 and the records address is 700 – 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 March 31, 2014, the Company has a working capital deficit of \$123,816, has an accumulated deficit of \$20,916,288, and expects to incur further losses in the development of its business. Moreover, the Company has an outstanding debt in the amount of \$77,464 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.

The underlying value and the recoverability of amounts shown for exploration and evaluation assets is dependent upon: the discovery of economically recoverable ore reserves in its mineral properties; the ability of the Company to obtain the necessary financing to complete exploration activities and upon future profitable production from or the proceeds from the disposition of its mineral properties.

#### **2. BASIS OF PREPARATION**

##### **Statement of Compliance**

These condensed 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 IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

##### **Basis of Presentation**

The condensed financial statements have been prepared on a historical cost basis. In addition, these condensed 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 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 MARCH 31, 2014

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## **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 interim financial statements are with those followed in the preparation of the Company's annual financial statements for the year ended September 30, 2013, except for the adoption of new standards and interpretations effective as of October 1, 2013.

The Company applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 13 Fair Value Measurement. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual financial statements.

Several other new standards and amendments apply for the first time in 2014. However, they are not applicable to the annual financial statements of the Company or the interim condensed financial statements of the Company.

The nature and the impact of each new standard are described below:

#### *IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the financial statements of the Company.

#### *IFRS 11 Joint Arrangements*

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venture's. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. As the Company does not have any partnerships in JCEs, the adoption of this standard had no impact on the financial statements of the Company.



## **GWR RESOURCES INC.**

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2014

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

### **New standards, interpretations and amendments adopted** *(cont'd...)*

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed financial statements, unless significant events and transactions in the interim period require that they are provided. The Company has not had any changes in its corporate structure or investments during the period; accordingly, the Company has not made such disclosures.

#### *IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed financial statements period. The Company provides these disclosures in Note 12.

### **New standards not yet adopted**

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended September 30, 2014:

- IFRS 9                      New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets<sup>(i)</sup>
- IAS 32 (Amendment)      New standards amends IAS32 to provide clarifications on the application of offsetting rules<sup>(ii)</sup>

(i)      Deferred indefinitely

(ii)     Effective for annual periods beginning on or after January 1, 2014

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 \$134,000 (September 30, 2013 - \$134,000). The letters of guarantee are secured by certificates of deposits with a maturity date of April 21, 2014.

**GWR RESOURCES INC.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2014

**4. PROPERTY, PLANT AND EQUIPMENT**

	Field Equipment	Vehicles	Leased Equipment	Office Furniture	Computer Equipment	Software	Buildings	Land	Total
<b>Cost</b>									
Balance, September 30, 2012	\$ 113,722	\$ 114,513	\$ 370,245	\$ 57,043	\$ 36,878	\$ 46,248	\$ 669,251	\$ 133,004	\$1,540,904
Reclassified as asset held for sale (2)	-	-	-	-	-	-	(174,126)	(66,252)	(240,378)
Additions	-	-	-	-	451	-	-	-	451
Disposals (Note 7)	(1,040)	-	(370,245)	-	-	-	-	-	(371,285)
Balance, September 30, 2013 and March 31, 2014	112,682	114,513	-	57,043	37,329	46,248	495,125	66,752	929,692
<b>Accumulated depreciation</b>									
Balance, September 30, 2012	64,285	43,088	66,678	45,294	24,920	28,958	96,851	-	370,074
Reclassified as asset held for sale (2)	-	-	-	-	-	-	(46,127)	-	(46,127)
Additions (1)	9,834	14,286	37,024	2,349	4,650	8,645	28,941	-	105,729
Disposals (Note 7)	-	-	(103,702)	-	-	-	-	-	(103,702)
Balance, September 30, 2013 Additions	74,119 3,857	57,374 5,714	-	47,643 940	29,570 1,280	37,603 2,161	79,665 10,387	-	325,974 24,339
Balance, March 31, 2014	\$ 77,976	\$ 63,088	\$ -	\$ 48,583	\$ 30,850	\$ 39,764	\$ 90,052	\$ -	\$ 350,313
<b>As at September 30, 2013</b>	\$ 38,563	\$ 57,139	\$ -	\$ 9,400	\$ 7,759	\$ 8,645	\$ 415,460	\$ 66,752	\$ 603,718
<b>As at March 31, 2014</b>	\$ 34,706	\$ 51,425	\$ -	\$ 8,460	\$ 6,479	\$ 6,484	\$ 405,073	\$ 66,752	\$ 579,379

(1) Included in depreciation of \$105,729 is \$37,024 capitalized to exploration expenditure and \$68,705 charged to operations.

(2) 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. On March 30, 2013, the Company ceased depreciating these assets and classified these assets as assets held for sale. As at March 31, 2014 and September 30, 2013, assets held for sale totaled \$194,251 (Land \$66,252; Building \$127,999).

**GWR RESOURCES INC.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2014

**5. EXPLORATION AND EVALUATION ASSETS**

	<b>Lac La Hache</b>
<b>Balance, September 30, 2012</b>	\$ 28,116,913
Exploration costs (1)	639,446
<b>Balance, September 30, 2013</b>	28,756,359
Exploration costs (1)	116,772
BC METC refund	(645,966)
<b>Balance, March 31, 2014</b>	<b>\$ 28,227,165</b>

(1) Exploration costs for the period included depreciation of leased equipment in the amount of \$Nil (Year ended September 30, 2013 - \$37,024).

**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.

**GWR RESOURCES INC.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2014

**5. 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.

**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 (Note 4). As at the date of the financial statements, there has been no settlement of the mortgage. For the period ended March 31, 2014 and year ended September 30, 2013 accrued interest was not recorded due to its nominal value.

	March 31, 2014	September 30, 2013
Principal and accrued interest	\$ 77,464	\$ 77,464
Less current portion	<u>(77,464)</u>	<u>(77,464)</u>
	<u>\$ -</u>	<u>\$ -</u>

**7. SHARE CAPITAL AND RESERVES**

## a) Authorized share capital

Unlimited number of common and preferred shares without par value.

## b) Issued share capital

2014

There were no shares issued during the period ended March 31, 2014.

2013

There were no shares issued during the year ended September 30, 2013.

**GWR RESOURCES INC.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2014

**7. SHARE CAPITAL AND RESERVES (cont'd...)**

## 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.

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, 2012	8,519,400	\$ 0.23	12,969,564	\$ 0.35
Expired and cancelled	(1,459,400)	0.20	(6,962,065)	0.53
Balance, September 30, 2013	7,060,000	0.24	6,007,499	0.29
Expired and cancelled	(350,000)	0.17	(2,000,000)	0.40
Balance, March 31, 2014 outstanding	6,710,000	\$ 0.24	4,007,499	\$ 0.23
Balance, March 31, 2014 exercisable	4,860,000	\$ 0.24	4,007,499	\$ 0.23

As at March 31, 2014, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry date
<b>Stock Options</b>	2,085,000	\$ 0.20	September 3, 2015
	50,000	0.28	January 4, 2016
	400,000	0.42	February 24, 2016
	1,850,000	0.25	August 1, 2016
	<u>2,325,000</u>	0.25	December 28, 2016
	6,710,000		

## GWR RESOURCES INC.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2014

#### 7. SHARE CAPITAL AND RESERVES (cont'd...)

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

As at March 31, 2014, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
<b>Share Purchase Warrants</b>	492,149	\$ 0.11	July 12, 2014
	<u>3,515,350</u>	0.25	July 12, 2014
	<u>4,007,499</u>		

The reserves recorded in equity on the Company's Statement of Financial Position include contributed surplus and accumulated deficit. Contributed surplus is used to recognize the value of stock options granted and share purchase warrants issued prior to their exercise. Accumulated Deficit is used to record the Company's change in deficit from earnings from year to year.

#### 8. RELATED PARTY TRANSACTIONS

Key management personnel comprise of the Chief Executive Office (EMC Holdings Inc.), Chief Financial Officer, VP of Explorations (GamX Management Inc.) and Directors of the Company. The remuneration of the key management personnel is as follows:

- Included in management and consulting fees of \$60,000 (2013 - \$74,971) for services provided by CEO and former CFO.
- Included in consulting fees as part of exploration costs of \$89,259 (2013 - \$Nil) for services provided by VP of Exploration.
- Included in consulting fees as part of exploration costs of \$16,000 (2013 - \$Nil) for services provided by a Director of the Company.

An amount of \$397,693 (September 30, 2013 - \$231,638) 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.

During the period ended March 31, 2014, the Company received an advance of \$23,500 from a related party to meet short-term cash requirements. The balance is unsecured, non-interest bearing, has no fixed repayment terms, and is due on demand.

#### 9. 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

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#### **10. SUPPLEMENTARY CASH FLOW INFORMATION**

During the period ended March 31, 2014, the Company:

- a) Included \$300,409 in accounts payable and accrued liabilities capitalized to exploration and evaluation assets;
- b) Included \$645,966 in receivables and deducted from exploration and evaluation assets the minimum BC METC claim refund due from the Canada Revenue Agency.

There were no significant non-cash transactions for the period ended March 31, 2013.

#### **11. 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 is not aware of any material contingent liabilities which require recording in the financial statements for the period ended March 31, 2014.
- ii) During the year ended September 30, 2011, the Company entered into a management service contract agreement with an officer of the Company with the following terms:
  - a) Granting of 600,000 options with an exercise price of \$0.25, expiring August 2016 and vesting when the share price exceeds \$0.75;
  - b) Granting of 1,250,000 options with an exercise price of \$0.25, expiring August 2016 and vesting when the share price exceeds \$1.00;
  - c) Remuneration set at \$120,000 for the first year of service with \$10,000 paid in advance equally each month;
  - d) Parties agree that the compensation to be paid in the second and third year will be agreed to no later than one month in advance of each of the corresponding terms and that in no event will the compensation be less favourable than the compensation for the first year;
  - e) The Company may terminate the agreement with a written notice on June 1, 2012. Failing a written notice on that date, the agreement will remain binding on the Company for a full three year term; and
  - f) The agreement is in effect from July 1, 2011 to August 1, 2014.

As at March 31, 2014, this management service contract is still in effect.

#### **12. 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.

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

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 March 31, 2014, 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 March 31, 2014, 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 March 31, 2014, the Company had a receivables balance of \$680,920 (September 30, 2013 - \$73,991).

##### **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 or to satisfy its current flow-through commitment of approximately \$85,017. 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.

The Company renounced this flow-through to the private placement subscribers under the general rule when incurred and look-back rule using the effective date of December 31, 2012. The Company was required to spend \$843,684 qualifying expenditures under the look-back rule by March 31, 2014. The Company spent \$758,667 in total leaving a shortfall of \$85,017. Subsequent to March 31, 2014, the Company will need to pay \$1,600 in Part XII tax and a penalty of \$10,761 on the unspent flow-through renunciations. The Company may also be subject to indemnification or other claims by the subscribers of this flow through for any loss tax credits on re-assessment by the taxing authority. This amount has not been recorded as it cannot be reasonable determined until such time as claimed by subscribers.



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