



GWR Resources Inc.

CONDENSED INTERIM FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2013

**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 condensed 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, 2013 | September 30, 2012 |
|---|----------------------|-----------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 11,105 | \$ 638,646 |
| Receivables | 133,483 | 209,907 |
| Prepaid expenses | 42,690 | - |
| | <u>187,278</u> | <u>848,553</u> |
| Reclamation deposits (Note 3) | 134,000 | 134,000 |
| Other assets | 1,008 | 1,008 |
| Property, plant and equipment (Note 4) | 1,099,878 | 1,170,830 |
| Exploration and evaluation assets (Note 5) | <u>28,635,402</u> | <u>28,116,913</u> |
| | <u>\$ 30,057,566</u> | <u>\$ 30,271,304</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 483,218 | \$ 464,580 |
| Current portion of long-term debt (Note 7) | 77,464 | 77,464 |
| Current portion of finance leases (Note 6) | 91,356 | 91,356 |
| | <u>652,038</u> | <u>633,400</u> |
| Finance leases (Note 6) | 72,174 | 84,328 |
| Deferred taxes | <u>4,558,290</u> | <u>4,558,290</u> |
| | <u>5,282,502</u> | <u>5,276,018</u> |
| Shareholders' equity | | |
| Share capital (Note 8) | 34,892,826 | 34,892,826 |
| Reserves (Note 8) | 11,854,549 | 11,854,549 |
| Deficit | <u>(21,972,311)</u> | <u>(21,752,089)</u> |
| | <u>24,775,064</u> | <u>24,995,286</u> |
| | <u>\$ 30,057,566</u> | <u>\$ 30,271,304</u> |

Nature of operations and going concern (Note 1)**Commitments and contingencies** (Note 11)

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, 2013 | For the three months ended March 31, 2012 | For the six months ended March 31, 2013 | For the six months ended March 31, 2012 |
|---|--|--|--|--|
| EXPENSES | | | | |
| Amortization | \$ 17,227 | \$ 19,441 | \$ 34,379 | \$ 19,441 |
| Employee costs | - | 40,658 | 23,699 | 75,718 |
| Filing and regulatory | 3,183 | - | 8,730 | - |
| General and administrative | 9,002 | 73,994 | 18,116 | 159,854 |
| Interest income | - | (3,875) | (707) | (16,159) |
| Loss on sale of assets | - | - | - | 1,343 |
| Management and consulting | 40,971 | 65,852 | 74,971 | 146,737 |
| Professional fees | 21,913 | 11,061 | 41,978 | 53,023 |
| Share-based payments (Note 8) | - | - | - | 229,013 |
| Travel and promotion | 2,817 | - | 19,056 | - |
| Loss before income taxes | (95,113) | (207,131) | (220,222) | (668,970) |
| Deferred tax expense | - | - | - | (162,179) |
| Loss and comprehensive loss for the period | \$ (95,113) | \$ (207,131) | \$ (220,222) | \$ (831,149) |
| 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 | 139,685,413 | 149,425,542 | 138,393,461 |

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 March 31 | 2013 | 2012 |
|---|------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the period | \$ (220,222) | \$ (831,149) |
| Non-cash items: | | |
| Amortization | 34,379 | 19,441 |
| Share-based payments | - | 229,013 |
| Deferred income tax | - | 162,179 |
| Loss on disposal | - | 1,343 |
| Changes in non-cash working capital items: | | |
| Receivables | 76,424 | (261,911) |
| Prepaid expenses | (16,901) | 219,794 |
| Accounts payable and accrued liabilities | (7,151) | 140,320 |
| | <u>(133,471)</u> | <u>(320,970)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Exploration and evaluation expenditures | (481,465) | (4,025,672) |
| Equipment purchases | (451) | (179,850) |
| | <u>(481,916)</u> | <u>(4,205,522)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments for finance leases | (12,154) | (48,495) |
| Proceeds from private placements | - | 736,148 |
| | <u>(12,154)</u> | <u>687,653</u> |
| Change in cash during the period | (627,541) | (3,838,839) |
| Cash, beginning of period | 638,646 | 4,884,731 |
| Cash, end of period | \$ 11,105 | \$ 1,045,892 |

There were no significant non-cash transactions for the six month period ended March 31, 2013 and March 31, 2012.

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, 2011 | 135,370,749 | \$ 32,503,248 | \$ 11,398,681 | \$ (19,190,123) | \$ 24,711,806 |
| Issuance of shares – mineral properties | 2,440,000 | 609,600 | - | - | 609,600 |
| Warrants exercised | 3,435,418 | 889,050 | (183,302) | - | 705,748 |
| Stock options exercised | 170,000 | 53,553 | (23,153) | - | 30,400 |
| Warrants issued to Candorado | - | - | 144,000 | - | 144,000 |
| Share-based payments | - | - | 229,013 | - | 229,013 |
| Loss for the period | - | - | - | (831,149) | (831,149) |
| Balance, March 31, 2012 | 141,416,167 | 34,055,451 | 11,565,239 | (20,021,272) | 25,599,418 |
| Private placements | 7,030,700 | 843,684 | - | - | 843,684 |
| Share issuance costs | - | (107,567) | - | - | (107,567) |
| Warrants issued | - | (120,258) | 120,258 | - | - |
| Warrants exercised | 978,675 | 221,516 | 23,152 | - | 244,668 |
| Share-based payments | - | - | 145,900 | - | 145,900 |
| Loss for the period | - | - | - | (1,730,817) | (1,730,817) |
| Balance, September 30, 2012 | 149,425,542 | 34,892,826 | 11,854,549 | (21,752,089) | 24,995,286 |
| Loss for the period | - | - | - | (220,222) | (220,222) |
| Balance, March 31, 2013 | 149,425,542 | \$ 34,892,826 | \$ 11,854,549 | \$ (21,972,311) | \$ 24,775,064 |

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)

(Unaudited)

FOR THE PERIOD ENDED MARCH 31, 2013

1. NATURE OF OPERATIONS AND 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 1000 – 840 Howe Street, Vancouver, BC, V6Z 2M1.

The Company's financial statements are presented in Canadian dollars.

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 International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

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. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed 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 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 the basis of accounting policies and methods of computation consistent with those applied in the Company's September 30, 2012 annual financial statements.

Use of Estimates

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:

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.

The useful lives and discount rates used in the accounting for finance leases require judgment when being determined to ensure the transactions accurately reflect their economic substance.

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE PERIOD ENDED MARCH 31, 2013

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

Use of Estimates (cont'd...)

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. 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.

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.

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 March 31, 2013:

- IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets⁽ⁱⁱ⁾
- IFRS 11 New standard to account for the rights and obligations in accordance with a joint agreement⁽ⁱ⁾
- IFRS 12 New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39⁽ⁱ⁾
- IFRS 13 New standard on the measurement and disclosure of fair value⁽ⁱ⁾
- IAS 28 (Amendment) New standard issued that supersedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures⁽ⁱ⁾
- IAS 32 (Amendment) New standards amends IAS32 to provide clarifications on the application of offsetting rules⁽ⁱⁱⁱ⁾

(i) Effective for annual periods beginning on or after January 1, 2013

(ii) Effective for annual periods beginning on or after January 1, 2015

(iii) 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, 2012 - \$134,000). The letters of guarantee are secured by certificates of deposits with a maturity date of April 19, 2013.

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE PERIOD ENDED MARCH 31, 2013

4. PROPERTY, PLANT AND EQUIPMENT

| | Field Equipment | Vehicles | Leased Equipment | Office Furniture | Computer Equipment | Software | Buildings | Land | Total |
|---------------------------------|--------------------|-----------|---------------------|---------------------|-----------------------|-----------|------------|------------|--------------|
| Cost | | | | | | | | | |
| Balance, September 30, 2011 | \$ 91,586 | \$ 98,147 | \$ - | \$ 66,454 | \$ 31,322 | \$ 35,743 | \$ 669,251 | \$ 133,004 | \$ 1,125,507 |
| Additions (2) | 22,136 | 21,366 | 370,245 | - | 5,556 | 10,505 | - | - | 429,808 |
| Disposals | - | (5,000) | - | (9,411) | - | - | - | - | (14,411) |
| Balance, September 30, 2012 | 113,722 | 114,513 | 370,245 | 57,043 | 36,878 | 46,248 | 669,251 | 133,004 | 1,540,904 |
| Additions | - | - | - | - | 451 | - | - | - | 451 |
| Disposals | - | - | - | - | - | - | - | - | - |
| Balance, March 31, 2013 | 113,722 | 114,513 | 370,245 | 57,043 | 37,329 | 46,248 | 669,251 | 133,004 | 1,541,355 |
| Accumulated depreciation | | | | | | | | | |
| Balance, September 30, 2011 | 54,692 | 31,061 | - | 44,151 | 17,084 | 16,921 | 66,725 | - | 230,634 |
| Additions (1) | 9,593 | 15,185 | 66,678 | 1,143 | 7,836 | 12,037 | 30,126 | - | 142,598 |
| Disposals | - | (3,158) | - | - | - | - | - | - | (3,158) |
| Balance, September 30, 2012 | 64,285 | 43,088 | 66,678 | 45,294 | 24,920 | 28,958 | 96,851 | - | 370,074 |
| Additions (3) | 4,943 | 7,144 | 37,024 | 502 | 3,158 | 4,322 | 14,310 | - | 71,403 |
| Disposals | - | - | - | - | - | - | - | - | - |
| Balance, March 31, 2013 | \$ 69,228 | \$ 50,232 | \$ 103,702 | \$ 45,796 | \$ 28,078 | \$ 33,280 | \$ 111,161 | \$ - | \$ 441,477 |
| As at September 30, 2012 | \$ 49,437 | \$ 71,425 | \$ 303,567 | \$ 11,749 | \$ 11,958 | \$ 17,290 | \$ 572,400 | \$ 133,004 | \$ 1,170,830 |
| As at March 31, 2013 | \$ 44,494 | \$ 64,281 | \$ 266,543 | \$ 11,247 | \$ 9,251 | \$ 12,968 | \$ 558,090 | \$ 133,004 | \$ 1,099,878 |

(1) Included in amortization of \$142,598 is \$66,958 capitalized to exploration expenditure and \$75,920 to the Statement of Comprehensive Loss.

(2) The additions for leased equipment relate to items acquired under a finance lease (Note 6).

(3) Included in amortization of \$71,403 is \$37,024 capitalized to exploration expenditure and \$34,379 to the Statement of Comprehensive Loss.

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

December 31, 2012

(Expressed in Canadian Dollars)

(Unaudited)

5. EXPLORATION AND EVALUATION ASSETS

| | Lac La Hache | Saint Sabine | Total |
|------------------------------------|---------------------|---------------------|---------------|
| Balance, September 30, 2011 | \$ 23,275,684 | \$ 574,393 | \$ 23,850,077 |
| Exploration costs (1) | 3,179,547 | 856,316 | 4,035,863 |
| Acquisition of property | 1,661,682 | - | 1,661,682 |
| Impairment recognized | - | (1,430,709) | (1,430,709) |
| Balance, September 30, 2012 | 28,116,913 | - | 28,116,913 |
| Exploration costs | 518,489 | - | 518,489 |
| Balance, March 31, 2013 | \$ 28,635,402 | \$ - | \$ 28,635,402 |

- (1) Exploration costs for the period included depreciation of leased equipment in the amount of \$37,024 (Year ended September 30, 2012 - \$66,958).

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.

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

December 31, 2012

(Expressed in Canadian Dollars)

(Unaudited)

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 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. FINANCE LEASES

In the year ended September 30, 2012, the Company entered in to two lease agreements with Caterpillar Finance for the lease of equipment to be used in its exploration operations. As at March 31, 2013, the carrying value of the leases equipment is \$266,542 (September 30, 2012 – \$303,567), while the carrying value of the remaining lease obligation is \$163,530 (September 30, 2012 – \$175,684).

| | March 31, 2013 | September 30, 2012 |
|--------------------------|-------------------|-----------------------|
| Finance lease obligation | \$ 163,530 | \$ 175,684 |
| Less current portion | <u>(91,356)</u> | <u>(91,356)</u> |
| | <u>\$ 72,174</u> | <u>\$ 84,328</u> |

7. 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. As at the date of the financial statements, there has been no settlement of the mortgage. For the period ended March 31, 2013 accrued interest was not recorded due to its nominal value.

| | March 31, 2013 | September 30, 2012 |
|--------------------------------|-------------------|-----------------------|
| Principal and accrued interest | \$ 77,464 | \$ 77,464 |
| Less current portion | <u>(77,464)</u> | <u>(77,464)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

December 31, 2012

(Expressed in Canadian Dollars)

(Unaudited)

8. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

b) Issued share capital

On July 12, 2012, the Company issued 7,030,700 units at \$0.12 per unit for gross proceeds of \$843,684. Each unit consisted of one flow-through common share and one-half non-transferrable share purchase warrant, with each full warrant entitling the holder to purchase one additional common share at an exercise price of \$0.25 until July 12, 2014. The fair value of the share purchase warrants, estimated to be \$93,874, was credited to reserves. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions: Share price volatility – 77%; Expected term – 2 years; Risk-free rate of return – 1.00% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling \$107,567, which included finders' fees of \$59,058, corporate finance fees of \$24,100, legal and filing fees of \$24,409 and the issue of 492,149 agent's warrants with each warrant entitling the holder to purchase one common share at an exercise price of \$0.11 per share until July 12, 2014. The fair value of the agent's warrants, estimated to be \$26,384, was recorded as a reduction to share capital as share issue costs and credited to reserves. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 77%; Expected term – 2 years; Risk-free rate of return – 1.00% and Expected dividend yield – 0%.

On January 20, 2012 the Company issued 2,400,000 common shares valued at \$600,000 pursuant to the mineral property option agreement entered into with Candorado Operating Company. The shares were valued at the closing price of \$0.25 per share on the date of issuance. In addition there were 2,000,000 warrants issued with a term of two years having an exercise price of \$0.40. The fair value attributed to these equity instruments of \$144,000 was recorded to reserves and acquisition costs in mineral properties (Note 5). The fair value of the warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions: Share price volatility – 73%; Expected term – 2.0 years; Risk-free rate of return – 1.56% and Expected dividend yield – 0%.

On November 1, 2011 the Company issued 40,000 common shares valued at \$9,600 pursuant to a mineral option agreement entered into with Rio Minerals. The shares were valued at the closing price of \$0.24 per share on the date of issuance.

During the year ended September 30, 2012, 4,414,093 common shares were issued on the exercise of warrants for gross proceeds of \$950,416. The amount of \$160,150 was transferred from reserves to share capital on exercise.

During the year ended September 30, 2012, 170,000 common shares were issued on the exercise of share purchase options for gross proceeds of \$30,400. The amount of \$23,153 was transferred from reserves to share capital on exercise.

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

December 31, 2012

(Expressed in Canadian Dollars)

(Unaudited)

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.

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, 2011 | 7,908,400 | \$ 0.21 | 17,670,026 | \$ 0.17 |
| Granted | 2,325,000 | 0.25 | 6,007,499 | 0.36 |
| Exercised | (170,000) | 0.31 | (4,414,093) | 0.17 |
| Expired | <u>(1,544,000)</u> | <u>0.17</u> | <u>(6,293,868)</u> | <u>0.31</u> |
| Balance, September 30, 2012 | 8,519,400 | \$ 0.23 | 12,969,564 | \$ 0.35 |
| Expired | <u>-</u> | <u>-</u> | <u>(3,610,714)</u> | <u>0.50</u> |
| Balance, March 31, 2013 | 8,519,400 | \$ 0.23 | 9,358,850 | \$ 0.39 |
| Balance, March 31, 2013 exercisable | <u>6,669,400</u> | <u>0.23</u> | <u>9,358,850</u> | <u>0.39</u> |

As at March 31, 2013, incentive stock options were outstanding as follows:

| | Number | Exercise price | Expiry date |
|----------------------|------------------|----------------|--------------------------|
| Stock Options | 120,000 | \$ 0.17 | May 6, 2013 |
| | 430,000 | 0.17 | March 23, 2014 |
| | 3,344,400 | 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> | <u>0.25</u> | <u>December 28, 2016</u> |
| | <u>8,519,400</u> | | |

As at March 31, 2013, share purchase warrants were outstanding as follows:

| | Number | Exercise price | Expiry date |
|--------------------------------|------------------|----------------|----------------------|
| Share Purchase Warrants | 2,000,000 | \$ 0.65 | June 2, 2013 |
| | 1,351,351 | 0.45 | June 22, 2013 |
| | 2,000,000 | 0.40 | January 20, 2014 |
| | 492,149 | 0.11 | July 12, 2014 |
| | <u>3,515,350</u> | <u>0.25</u> | <u>July 12, 2014</u> |
| | <u>9,358,850</u> | | |

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

December 31, 2012

(Expressed in Canadian Dollars)

(Unaudited)

8. SHARE CAPITAL AND RESERVES *(cont'd...)*c) Stock options and warrants *(cont'd...)*

During the six month period ended March 31, 2013 the Company granted Nil (2011 – 2,325,000) stock options to officers, consultants and directors. The weighted-average fair value of options granted and vested during the year was \$Nil per option (2012 - \$0.10). Total share-based payments recognized in the statement of comprehensive loss for the period ended March 31, 2013 was \$Nil (2012 – \$229,013) for incentive options granted and vested. This amount was also recorded as reserves on the statement of financial position.

9. RELATED PARTY TRANSACTIONS

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

- Paid or accrued management and consulting fees of \$74,971 (2012 - \$60,000).
- Recorded share-based payment expense to directors and officers for stock options vesting during the period of \$Nil (2012 - \$219,163).
- Paid or accrued employee costs of \$16,330 (2012 - \$217,760).

The amount of \$146,053 (2011 - \$Nil) is due to related parties. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

10. SEGMENTED INFORMATION

The Company operates in one industry segment, the mineral exploration and evaluation industry, and in one geographical segment, Canada.

11. 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 material contingent liabilities which require recording in the financial statements for the period ended March 31, 2013.