



GWR Resources Inc.

CONDENSED INTERIM FINANCIAL STATEMENTS

PERIOD ENDED DECEMBER 31, 2012

**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	December 31, 2012	September 30, 2012
ASSETS		
Current		
Cash	\$ 1,569	\$ 638,646
Receivables	263,187	209,907
Prepaid expenses	7,180	-
	<u>271,936</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)	1,135,166	1,170,830
Exploration and evaluation assets (Note 5)	<u>28,603,825</u>	<u>28,116,913</u>
	<u>\$ 30,145,935</u>	<u>\$ 30,271,304</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 490,141	\$ 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>658,961</u>	<u>633,400</u>
Finance leases (Note 6)	58,507	84,328
Deferred taxes	<u>4,558,290</u>	<u>4,558,290</u>
	<u>5,275,758</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>(21,877,198)</u>	<u>(21,752,089)</u>
	<u>24,870,177</u>	<u>24,995,286</u>
	<u>\$ 30,145,935</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 December 31	2012	2011
EXPENSES		
Amortization	\$ 17,152	\$ 20,323
Employee costs	23,699	37,254
Filing and regulatory	5,547	-
General and administrative	9,114	168,985
Interest income	(707)	(12,285)
Management and consulting	34,000	-
Professional fees	20,065	41,962
Share-based payments (Note 8)	-	229,013
Travel and promotion	16,239	-
Loss before income taxes	(125,109)	(485,252)
Deferred tax expense	-	(162,179)
Loss and comprehensive loss for the period	\$ (125,109)	\$ (647,431)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	149,425,542	137,954,209

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

GWR Resources Inc.**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

(Unaudited)

For the period ended December 31	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (125,109)	\$ (647,431)
Non-cash items:		
Amortization	17,152	20,323
Share-based payments	-	229,013
Loss on disposal	-	1,343
Changes in non-cash working capital items:		
Receivables	(53,280)	(76,123)
Prepaid expenses	16,158	(179,360)
Accounts payable and accrued liabilities	25,561	172,770
Lease obligations	-	271,177
	<u>(142,856)</u>	<u>(208,288)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(468,400)	(1,727,337)
Equipment purchases	-	(46,142)
Acquisition of leased equipment	-	(414,766)
	<u>(468,400)</u>	<u>(2,188,245)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for finance leases	(25,821)	-
Proceeds from private placements	-	532,715
	<u>(25,821)</u>	<u>532,715</u>
Change in cash during the period	(637,077)	(1,863,818)
Cash, beginning of period	638,646	4,884,731
Cash, end of period	\$ 1,569	\$ 3,020,913

There were no significant non-cash transactions for the three month period ended December 31, 2012 and December 31, 2011.

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>				
	Number	Amount	Reserves	Deficit	Total
Balance, September 30, 2011	135,370,749	\$ 32,503,248	\$ 11,398,681	\$ (19,190,123)	\$ 24,711,806
Issuance of shares – mineral properties	40,000	9,600	-	-	9,600
Warrants exercised	2,543,460	532,715	-	-	532,715
Share-based payments	-	-	229,013	-	229,013
Loss for the period	-	-	-	(647,431)	(647,431)
Balance, December 31, 2011	137,954,209	33,045,563	11,627,694	(19,837,554)	24,835,703
Private placements	7,030,700	843,684	-	-	843,684
Share issuance costs	-	(107,567)	-	-	(107,567)
Issuance of shares – mineral properties	2,400,000	600,000	-	-	600,000
Warrants issued	-	(120,258)	120,258	-	-
Warrants exercised	1,870,633	577,851	(160,150)	-	417,701
Stock options exercised	170,000	53,553	(23,153)	-	30,400
Warrants issued to Candorado	-	-	144,000	-	144,000
Share-based payments	-	-	145,900	-	145,900
Loss for the period	-	-	-	(1,914,535)	(1,914,535)
Balance, September 30, 2012	149,425,542	\$ 34,892,826	\$ 11,854,549	\$ (21,752,089)	\$ 24,995,286
Loss for the period	-	-	-	(125,109)	(125,109)
Balance, December 31, 2012	149,425,542	\$ 34,892,826	\$ 11,854,549	\$ (21,877,198)	\$ 24,870,177

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 THREE MONTHS ENDED DECEMBER 31, 2012

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 THREE MONTHS ENDED DECEMBER 31, 2012

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 December 31, 2012:

- 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 (2011 - \$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 THREE MONTHS ENDED DECEMBER 31, 2012

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	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance, December 31, 2012	113,722	114,513	370,245	57,043	36,878	46,248	669,251	133,004	1,540,904
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 (1)	2,472	3,571	18,512	251	1,542	2,161	7,155	-	35,664
Disposals	-	-	-	-	-	-	-	-	-
Balance, December 31, 2012	\$ 66,757	\$ 46,659	\$ 85,190	\$ 45,545	\$ 26,462	\$ 31,119	\$ 104,006	\$ -	\$ 405,738
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 December 31, 2012	\$ 46,965	\$ 67,854	\$ 285,055	\$ 11,498	\$ 10,416	\$ 15,129	\$ 565,245	\$ 133,004	\$ 1,135,166

(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).

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 (2)	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	486,912	-	486,912
Balance, December 31, 2012	\$ 28,603,825	\$ -	\$ 28,603,825

- (1) Exploration costs for the period included depreciation of leased equipment in the amount of \$18,512 (Year ended September 30, 2012 - \$66,678).
- (2) See Candorado Option Agreement for further details.

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. (TSXV: CDO) entered into an option agreement whereby the Company acquired a 100% interest in 89 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% net smelter royalty 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 December 31, 2012, the carrying value of the leases equipment is \$285,055 (September 30, 2012 – \$303,567), while the carrying value of the remaining lease obligation is \$149,863 (September 30, 2012 – \$175,684).

	December 31, 2012	September 30, 2012
Finance lease obligation	\$ 149,863	\$ 175,684
Less current portion	<u>(91,356)</u>	<u>(91,356)</u>
	<u>\$ 58,507</u>	<u>\$ 84,328</u>

Future lease payments are due as follows:

	Minimum lease payments	Interest	September 30, 2012
Not later than one year	\$ 103,282	\$ (18,954)	\$ 84,328
Later than one year	<u>74,480</u>	<u>(8,945)</u>	<u>65,535</u>
	<u>\$ 177,762</u>	<u>\$ (27,899)</u>	<u>\$ 149,863</u>

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

December 31, 2012

(Expressed in Canadian Dollars)

(Unaudited)

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 December 31, 2012 accrued interest was not recorded due to its nominal value.

	December 31, 2012	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>

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.

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...)*b) Issued share capital *(cont'd...)*

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).

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, December 31, 2012	8,519,400	\$ 0.23	9,358,850	\$ 0.39
Balance, December 31, 2012 exercisable	6,669,400	0.23	9,358,850	\$ 0.39

GWR Resources Inc.

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(Expressed in Canadian Dollars)

(Unaudited)

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

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

	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>	0.25	December 28, 2016
	8,519,400		

As at December 31, 2012, incentive 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>	0.25	July 12, 2014
	9,358,850		

During the three month period ended December 31, 2012 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 (2011 - \$0.10). Total share-based payments recognized in the statement of comprehensive loss for the three month period ended December 31, 2012 was \$Nil (2011 – \$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 \$34,000 (2011 - \$64,748).
- Paid or accrued exploration and evaluation expenditures of \$Nil (2011 - \$40,886).
- Recorded share-based payment expense to directors and officers for stock options vesting during the period of \$Nil (2011 - \$219,163).

The amount of \$50,880 (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.

GWR Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

December 31, 2012

(Expressed in Canadian Dollars)

(Unaudited)

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 December 31, 2012.