



(An Exploration Stage Company)

Condensed Interim Financial Statements
Nine months ended June 30, 2012

(Unaudited)

(Expressed in Canadian dollars)

Management's Responsibility for Interim Financial Statements

The accompanying unaudited interim financial statements of GWR Resources Inc. (the "Company" or "GWR") are the responsibility of management and the Board of Directors.

The unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34- Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "Lars Glimhagen"
Chief Financial Officer

Vancouver, BC
August 24, 2012

Notice to Reader

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

The accompanying unaudited 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 unaudited interim financial statements.

GWR Resources Inc.

Interim Statement of Financial Position (Unaudited)

	Note	June 30, 2012 \$	September 30, 2011 \$ (Note 15)
ASSETS			
Current assets			
Cash and cash equivalents	4	414,701	4,884,731
Receivables		185,645	212,111
Prepaid expenses and deposits		1,096	221,730
Total current assets		601,442	5,318,572
Non-current assets			
Reclamation deposit	5	134,000	134,000
Exploration and evaluation expenditures	6,11	27,687,194	23,850,077
Property and equipment	7	1,316,342	894,873
Other assets		1,008	1,008
Total non current assets		29,138,545	24,879,958
Total assets		29,739,986	30,198,530
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Cheques in excess of cash on hand		-	0
Trade payables and accruals	8	231,889	687,224
Due to related parties	11	0	0
Current portion of long-term debt		176,271	77,464
Total current liabilities		408,160	764,688
Non-current liabilities			
Lease obligation	10	139,132	-
Other liabilities	9	-	9,997.00
Deferred taxes	9	4,856,792	4,684,616
Total liabilities		5,404,084	5,459,301
Shareholders' equity			
Share capital	15	29,962,678	28,116,746
Contributed surplus		11,469,280	11,398,681
Accumulated deficit		(17,096,056)	(14,776,198)
Total shareholders' equity		24,335,902	24,739,229
Total liabilities and shareholders' equity		29,739,986	30,198,530
Contingencies and Commitments	14		

The accompanying notes form an integral part of these financial statements.

GWR Resources Inc.

Interim Statement of Comprehensive Loss (Unaudited)

	Note	June 30, 2012		June 30, 2011	
		3 months	9 months	3 months	9 months
		\$	\$	\$	\$
Interest and other income		38,710	54,869	1,564	3,157
		38,710	54,869	1,564	3,157
Expenses					
Amortization	7	20,365	39,806	31,630	58,320
Consulting, director and management fees		56,213	202,950	30,235	60,441
Payroll and benefits		41,980	117,698	35,348	153,695
Finance charges		1,803	3,982	-	-
Flow-through Part XII.6 tax		-	-	7,186	18,649
Professional fees		2,088	55,111	29,547	48,839
Stock-based compensation		-	229,013	8,000	126,000
General and administrative expenses		55,267	212,941	111,945	213,970
Total expenses		177,716	861,501	253,891	679,914
Loss before income tax		139,006	806,632	252,327	676,757
(Gain) Loss on sale of assets		-	1,343	-	-
Deferred tax expenses		-	162,179	-	-
Impairment of mineral claims	6	1,349,704	1,349,704	-	-
Net loss and comprehensive loss		1,488,710	2,319,858	252,327	676,757
Loss per common share - basic and dilluted	3	(0.011)	(0.017)	(0.010)	(0.002)

The accompanying notes form an integral part of these financial statements.

GWR Resources Inc.
Condensed Interim Statement of Cash Flows (Unaudited)
For the nine months ending June 30, 2012

	June 30,	
	2012	2011
Cash flows from operating activities:		
Loss for the period	(2,319,858)	(676,758)
Items not involving cash:		
Amortization	39,806	58,320
Share-based payments	229,013	126,000
Deferred income tax	162,179	-
Loss on sale of assets	1,343	-
Impairment loss on mineral claims	1,349,704	-
	(537,813)	(492,438)
Changes in non-cash working capital balances:		
Receivables	13,242	(47,137)
Prepaid expenses	220,634	14,635
Trade and other payables	(461,348)	(307,008)
Future income taxes	-	884,471
	(765,285)	52,523
Total cash inflows (outflows) from operating activities	(765,285)	52,523
Cash flows from investing activities		
Exploration and evaluation expenditures	(4,428,753)	(2,945,029)
Purchase / sale of capital assets	(180,805)	(466,786)
Lease obligation payments	(73,349)	-
	(4,682,907)	(3,411,815)
Total cash outflows from investing activities	(4,682,907)	(3,411,815)
Cash flows from financing activities		
Proceeds from share issuance (net)	978,162	8,949,133
Repayment to related parties	-	(176,801)
Decrease in long-term payable	-	-
	978,162	8,772,332
Total cash inflows from financing activities	978,162	8,772,332
Total increase (decrease) in cash during the period	(4,470,030)	5,413,040
Cash and cash equivalents at beginning of period	4,884,731	300
Cash and cash equivalents at end of period	414,701	5,413,340

The accompanying notes form an integral part of these financial statements.

GWR Resources Inc.
Interim Statement of Changes in Equity (Unaudited)

	# Shares	Amount	Contributed Surplus	Deficit	TOTAL
Balance at September 30, 2010	82,753,162	16,774,393	11,988,582	(13,094,675)	15,668,300
Shares issued:					
Private placements	21,552,167	4,841,900	958,300		5,800,200
Loan bonuses	189,486	25,580			25,580
Property options	175,000	56,000			56,000
Share issue costs		(469,051)	124,000		(345,051)
Exercise of warrants	26,873,323	4,804,428	(1,330,731)		3,473,697
Exercise of stock options	235,000	64,363	(30,453)		33,910
Exercise of agent's unit options	477,465	95,149	(36,529)		58,620
Cancellation of options			(55,676)		(55,676)
Stock based compensation			126,000		126,000
Tax benefits renounces on flow-through shares		(884,471)			(884,471)
Net loss and comprehensive loss				(676,757)	(676,757)
Balance at June 30, 2011	132,255,603	25,308,291	11,743,493	(13,771,432)	23,280,352
Balance at September 30, 2011	135,370,752	28,116,746	11,398,681	-	14,776,198
Shares issued:					
Property options	2,440,000	609,600			609,600
Warrants exercised	4,414,093	1,133,719	(230,201)		903,518
Share purchase options exercised	170,000	30,400			30,400
Fair vaue allocated to share purchase warrants issued			144,000		144,000
Fair value of expired share purchase warrants		72,213	(72,213)		-
Stock-based compensation			229,013		229,013
Net loss and comprehensive loss				(2,319,858)	(2,319,858)
Balance at June 30, 2012	142,394,845	29,962,678	11,469,280	(17,096,056)	24,335,902

1. **CORPORATE INFORMATION**

GWR Resources Inc. (the “Company”, “GWR” or “we”), incorporated under the Business Corporations Act (British Columbia), is an exploration stage company engaged principally in the acquisition and exploration of mineral properties in Canada. The Company is listed on the TSX Venture Exchange, having a symbol of GWQ-V, as a Tier 2 mining issuer and is in the process of exploring its mineral properties in British Columbia and Quebec.

The address of the Company’s registered office is 1000 - 840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1.

2. **BASIS OF PREPARATION**

(a) Statement of Compliance

The financial statements of the Company for the year ending September 31, 2012 will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (“pre-changeover Canadian GAAP”). These condensed interim financial statements for the nine month period ended June 30, 2012 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and as they are part of the Company’s first IFRS annual reporting period, IFRS 1 *First Time Adoption of International Financial Reporting Standards* has been applied.

As these interim financial statements are prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company’s most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these interim financial statements do not include all of the information required for full annual financial statements.

The condensed interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

The condensed interim financial statements were authorized for issue by the Board of Directors on August 24, 2012.

(b) Basis of Measurement

The condensed interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement and complexity or areas where assumption and estimates are significant to the financial statements are disclosed in Note 3(b).

2. BASIS OF PREPARATION (cont'd)

(c) Going Concern of Operations

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharges of liabilities in the normal course of business. The Company has not generated revenues from operations. The Company incurred a net loss of \$970,154 during the nine months ended June 30, 2012 (\$252,327 – June 30, 2011) and as of that date the Company's accumulated deficit was \$15,746,352 (\$14,776,198 – September 30, 2011 and \$13,096,517 – October 1, 2010). As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realize its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial statements. No adjustment for such circumstances has been made in the financial information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year ending September 30, 2012, and have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS balance sheet at October 1, 2010 for the purpose of the transition to IFRS.

(a) Significant Accounting Estimates and Judgments

The preparation of these 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 reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(b) Critical accounting 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, but are not limited to, the following:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Critical accounting estimates (cont'd)

- i. the estimated useful lives of property and equipment, consumption of leased equipment and the related depreciation and amortization included in profit or loss;
- ii. the inputs used in accounting for share-based compensation expense in profit or loss;
- iii. the provision for the income tax recovery or tax credits which are included in profit or loss and the composition of deferred income tax liabilities included in the statement of financial position;
- iv. the application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available; and
- v. although the Company has taken steps to verify mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(c) Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(d) Segment Reporting

The Company operates in a single reportable operating segment – the acquisition and exploration of mineral properties. All significant assets are held within Canada.

(e) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

(f) Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as a non-current asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Exploration and Evaluation Expenditure

Once the legal right to explore has been acquired, costs directly related to exploration and evaluation expenditures (“E & E”) are recognized and capitalized, in addition to the acquisition costs. The direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Mineral and evaluation expenditures are classified as intangible assets.

(h) Property and Equipment

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company.

Property and equipment are subsequently measured at cost less accumulated depreciation, less accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent Costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Amortization

Amortization is recognized in profit or loss and is provided on a diminishing balance basis at the following rates:

Buildings	- 5%
Field Equipment	- 20%
Automotive equipment	- 20%
Office furniture and equipment	- 20%
Computer equipment	- 33%
Computer software	- 50%

Leased Equipment

Amortization is based on consumption and is determined by the estimated hours of useful life. The value on which the consumption is used is the present value of the equipment less the residual value at the end of the useful life of the equipment.

Management has estimated that the useful life of the leased equipment is three years with a total consumption of 2,000 hours per year and a residual value of 40% of the original purchase price of the leased equipment. At the end of each reporting period, the consumption of the equipment is determined and charged to the exploration costs during the financial period in which the consumption has occurred.

The full amount of depreciation is taken in the year of acquisition.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Leased Assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a “finance lease”), the asset is treated as if it had been purchased outright. The amount initially realized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are separated between capital and interest. The interest element is charged to the statement of comprehensive loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor. Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an “operating lease”), the total rents payable under the lease are charged to the statement of comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Each of the leases have a bargain price at the end of the lease period in the amount of \$1 at which time the risks and benefits of the equipment are transferred to the Company.

(j) Impairment of Non-Financial Assets

Non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset’s cash generating unit, which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has two cash-generating units for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reversed gains previously recognized in other comprehensive loss/income.

(k) Loss Per Share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share is performed by presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

Contingent warrants as a result of exercising agents’ options are not included in this computation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Other Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction cost directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

(m) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal and constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(n) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income tax payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary difference is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-based share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Flow-through shares

The Company will from time to time, issue flow-through common share to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company de-recognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium reversal is recognized as a reduction in the deferred tax expense and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds in Note 9.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(r) Financial instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash and other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after October 1, 2011 or later periods.

The following new standards, amendments and interpretations, which have not been early adopted in these interim financial statements, will or may have an effect on the Company's future results and financial position:

(t) Standards, Amendments and Interpretations Not Yet Effective, continued

- IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IFRS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015.

The following new standards, amendments and interpretations, which have not been early adopted in these interim financial statements, will not have an effect on the Company's future results and financial position:

- IAS 12: Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 (Effective for periods beginning on or after January 12, 2012))
- Amendments to IFRS 9: Financial Instruments (Effective for periods beginning on or after January 1, 2013)
- IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
- IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
- IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
- IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);
- IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);
- IAS 19 Employee Benefits (Amended in 2011);
- IAS 27 Separate Financial Statements (Amended in 2011);

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

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4. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

	June 30, 2012 \$	September 30, 2011 \$	October 1, 2010 \$
Cash on hand and deposit	213,542	1,079,651	300
Short-term investment	201,159	3,805,080	-
TOTAL	414,701	4,884,731	300

5. 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 reclamation deposits are held in certificates of deposits with a maturity date of April 19, 2013 and an interest rate of 1.05%.

6. EXPLORATION AND EVALUATION ASSETS

	Lac La Hache \$	Sainte Sabine \$	Total \$
Balance at October 1, 2010	19,710,493	130,935	19,841,428
Exploration costs	3,613,647	314,002	3,927,649
Option payments	-	81,000	81,000
Balance at September 30, 2011	23,324,140	525,937	23,850,077
Exploration costs ⁽¹⁾	2,701,371	823,767	3,525,138
Acquisition of property ⁽²⁾	1,661,682	-	1,661,682
Impairment loss ⁽³⁾	-	(1,349,704)	(1,349,704)
Balance at June 30, 2012	27,687,193	-	27,687,193

⁽¹⁾ Exploration costs for the current period included amortization of leased equipment in the amount of \$8,842.

⁽²⁾ Acquisition of property includes the acquisition of three additional properties:

On November 1, 2011, acquired 100% interest in five mineral claims adjoining the eastern boundary of the Company's Lac La Hache Property with the issue of 40,000 common shares of the Company at a deemed value of \$9,600 and a cash payment of \$23,000. The option

6. EXPLORATION AND EVALUATION ASSETS, continued

agreement is subject to a 2% smelter royalty to be retained by the Vendor. The Company will have the right to purchase the NSR for \$500,000.

- ⁽³⁾ The Company has abandoned its exploration of the Sainte Sabine mineral interests.

On December 1, 2011, the Company acquired 100% interest in five claims adjoining the Company's Lac La Hache property for a cash payment of \$15,000.

On January 23, 2012, the Company acquired an undivided 100% interest in a group of claims referred to as the Murphy Block (subject to existing third party NSR's on some of the claims) for a cash payment of \$870,000, the issuance of an aggregate of 2,400,000 common shares at a deemed price of \$.25 and 2,000,000 warrants exercisable to purchase one additional common share at \$0.40 for a two year period.

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7. PROPERTY AND EQUIPMENT

	Field Equipment	Vehicles	Leased Equipment	Office Furniture	Computer Equipment	Software	Buildings	Land	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance at October 1, 2010	145,665	88,749	-	70,540	-	11,048	306,811	66,252	689,065
Reclassification	(11,692)	(9,000)	-	(220)	11,611	-	-	-	(9,301)
Additions	819	36,398	-	8,099	19,711	24,695	362,440	66,752	518,914
Disposals	-	(18,000)	-	(5,839)	-	-	-	-	(23,839)
Write-down	(43,206)	-	-	(6,126)	-	-	-	-	(49,332)
Balance at September 30, 2011	91,586	98,147	-	66,454	31,322	35,743	669,251	133,004	1,125,507
Additions	18,866	21,366	414,766	901	4,601	10,505	-	-	471,005
Disposals	-	(5,000)	-	-	-	-	-	-	(5,000)
Balance at March 31, 2012	110,452	114,513	414,766	67,355	35,923	46,248	669,251	133,004	1,591,512
Additions	-	-	-	-	955	-	-	-	955
Disposals	-	-	-	-	-	-	-	-	-
Balance at June 30, 2012	110,452	114,513	414,766	67,355	36,878	46,248	669,251	133,004	1,592,467

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7. PROPERTY AND EQUIPMENT (cont'd)

	Field Equipment	Vehicles	Leased Equipment	Office Furniture	Computer Equipment	Software	Buildings	Land	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Amortization and impairment losses									
Balance at October 1, 2010	71,672	33,491	-	57,340	-	10,446	44,551	-	217,500
Reclassification	(1,401)		-	(3,482)	4,883			-	-
Amortization for the year	9,121	12,222	-	2,919	5,473	6,475	22,174	-	58,384
Impairment loss	-	-	-	-	-	-	-	-	-
Disposals	-	(9,619)	-	(2,994)	-	-	-	-	(12,613)
Write-down	(24,700)	(5,033)	-	(2,903)	-	-	-	-	(32,636)
Balance at September 30, 2011	54,692	31,061	-	50,880	10,356	16,921	66,725	-	230,635
Amortization for the year	2,648	4,122	4,468	740	1,587	2,906	7,437	-	23,908
Impairment loss	-	-	-	-	-	-	-	-	-
Disposals	-	(3,158)	-	-	-	-	-	-	(3,158)
Balance at March 31, 2012	57,340	32,025	4,468	51,620	11,943	19,827	74,162	-	251,385
Amortization for the year	2,656	4,124	4,374	787	2,057	3,303	7,439	-	24,740
Impairment loss	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance at June 30, 2012	59,996	36,149	8,842	52,407	14,000	23,130	81,601	-	276,125
Net book value, October 1, 2010	73,993	55,258	-	8,317	4,883	602	262,260	66,252	471,565
Net book value, September 30, 2011	51,299	67,086	-	10,690	14,238	18,822	602,526	130,212	894,873

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Net book value, March 31, 2012	53,112	82,487	410,298	15,735	23,980	26,421	595,089	133,004	1,340,126
Net book value, June 30, 2012	50,456	78,364	405,924	14,948	22,878	23,118	587,650	133,004	1,316,342

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8. TRADE PAYABLES AND ACCRUALS

	June 30, 2012	September 30, 2011	October 1, 2010
	(\$)	(\$)	(\$)
Trade payables	174,115	507,803	85,626
Accrued liabilities	57,774	170,057	352,733
	231,889	687,224	438,359

Trade payable fall due within the next 12 months.

9. OTHER LIABILITIES

Other liabilities include the liability portion of the flow-through shares issued. The following is continuity schedule of the liability portion of the flow-through shares issuances:

	Issued on November 29, 2010
	\$
Balance at October 1, 2010	-
Liability incurred on flow-through shares issued	17,419
Settlement of flow-through share liability on incurring expenditures	(7,422)
Balance at September 30, 2011	9,997
Liability incurred on flow-through shares issued	-
Settlement of flow-through share liability on incurring expenditures	(9,997)
Balance at March 31, 2012	-
Balance at June 30, 2012	-

Other liabilities arise on the issuance of flow-through shares when the value of each flow-through share exceeds the value of each other common share issued at the same time.

As at October 1, 2010, transition date, the Company had fulfilled its commitment to incur exploration expenditures in relation to previously issued flow through arrangements. No other liability arose on these private placements.

In November 2010, the Company closed a private placement by issuing 6,250,000 units at \$0.27 per unit when the fair market value of the share price was \$0.28. Each unit is comprised of one flow through common share and one-half warrant.

As at December 31, 2011, the Company had fulfilled its commitment to incur exploration expenditures in relation to the November 2010 flow-through share financings.

Deferred tax liability includes the amount of tax reduction renounced to the shareholders on expenses being incurred.

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9. OTHER LIABILITIES (cont'd)

	\$
October 1, 2010	3,993,327
Renounced expenditures	691,289
September 30, 2011	4,684,616
Renounced expenditures	172,176
March 31, 2012	4,856,792
June 30, 2012	4,856,792

10. LEASE OBLIGATIONS

In November, 2011 the Company entered into two lease agreements with Caterpillar Finance for the lease of equipment to be used in its exploration operations:

	Financed Amount	Term (months)	Monthly Payment	Expiry	Interest Rate
Lease 1	\$130,380	36	\$3,725	October, 2014	Nil
Lease 2	\$160,274	36	\$4,882	November, 2014	4.25%
		June 30, 2012	September 30, 2011		October 1, 2010
Finance Lease		\$237,939	-		-
Short-term portion		(98,807)	-		-
		\$139,132	-		-

11. RELATED PARTY BALANCES AND TRANSACTIONS

During the period, amounts paid to companies controlled by directors and officers of the Company were as follows:

	at June 30, 2012 \$	at June 30, 2011 \$
Included in Property Exploration Costs		
Consulting fees	109,485	170,722
Field supervision	-	64,000
Equipment rental	-	211,860

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Shop rent	-	45,784
	<u>109,485</u>	<u>492,366</u>
Included in Operations		
Management fees	90,000	16,000
Consulting fees	77,176	-
Rent	-	9,000
Loan bonus	-	8,976
	<u>167,176</u>	<u>33,976</u>

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties, which approximate the arm's length equivalent value for sales of product.

Key management personnel compensation comprised:

	In dollars	June 30, 2012		June 30, 2011	
		3 months	9 months	3 months	9 months
Officer and directors		117,401	335,161	74,938	304,698
Stock-based compensation		-	229,013	8,000	126,000

12. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is attributable to cash and trade and other receivables. All of the Company's cash is held by a Canadian bank, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Credit risk with respect to trade and other receivables is remote as these are due from the government.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates only in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

12. FINANCIAL RISK MANAGEMENT (cont'd)

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as bank account earns interest income at variable rates. The income earned on the bank account is subject to the movements in interest rates. Management considers the risk to be minimal.

Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed.

13. 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 structure consists of shareholder's equity comprising share capital, share purchase warrants and stock option plans. The basis for the Company's capital structure is dependent on the Company's exploration programs.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company's capital is dependent on the amount it can externally finance. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to develop existing properties and seek to acquire interests in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources for such activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended June 30, 2012. The Company is not subject to externally imposed capital requirements.

14. CONTINGENCIES AND COMMITMENTS

In addition to the lease obligation mentioned in Note 10 (Finance Leases) the Company has a commitment pursuant to an Option Agreement to spend certain amounts in order to satisfy the terms of the optionor. The following schedule summarizes the Company's commitment:

Due Date	Accumulated Expenditure \$	Cash Payment \$	Shares Issued
June, 2012 ⁽¹⁾	900,000	35,000	200,000
June, 2013	1,500,000	45,000	225,000
June, 2014	2,200,000	55,000	250,000
June, 2015	3,000,000	65,000	275,000
June, 2016	4,000,000	75,000	300,000

⁽¹⁾ The Company has not fulfilled the current obligation and is negotiating with the optionor to terminate the Option Agreement.

15. SHARE CAPITAL

i) Authorized Share Capital

At June 30, 2012, the authorized share capital comprised an unlimited (2011 – unlimited) number of common shares. The common shares do not have a par value. All issued shares are fully paid.

ii) Issued Share Capital

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

On January 20, 2012 the Company issued 2,400,000 common shares valued at \$600,000 pursuant to a mineral property option agreement. The shares were valued and recorded at the closing price of \$0.32 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 of these equity instruments of \$144,000 was recorded to contributed surplus and acquisition cost in mineral properties.

The fair value of share purchase warrants granted in connection with the property option agreement was estimated using the Black-Scholes option pricing model. Weighted average assumptions used in the model were as follows:

15. SHARE CAPITAL – continued

Risk-free rate of return	1.56%
Expected share price volatility	72.75%
Weighted average expected life of the share purchase options	24
Expected dividend yield	Nil %

iii) Shares issued on exercise of warrants, agent options, and stock options:

During the nine months ended June 30, 2012, 4,414,093 common shares were issued on the exercise of warrants for gross proceeds of \$950,416. The fair value of these exercised equity instruments of \$230,201 was transferred from contributed surplus to share capital per our accounting policy.

During the nine months ended June 30, 2012, 170,000 common shares were issued on the exercise of share purchase options for gross proceeds of \$30,400. The fair value of these exercised equity instruments of \$23,153 transferred from contributed surplus to share capital per our accounting policy.

(iv) Share Purchase Option Compensation Plan

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 equalling 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 share 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 at the time of granting the option 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 resigns 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. Vesting of options is made at the time of granting of the options at the discretion of the Board of Directors. Once approved and vested options are exercisable at any time.

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15. SHARE CAPITAL – continued

During the nine months ended June 30, 2012, the Company granted 2,325,000 share purchase options. Based on the estimated fair value of the share purchase options at their grant dates, the Company recorded a stock-based compensation expense of \$229,013 for these options in the statement of loss for the six month period then ended. The share purchase options were granted to directors, officers and employees, vested immediately and are exercisable for five years at \$0.25 for a period of five years.

The fair value of vested share purchase options granted were estimated using the Black-Scholes option pricing model. Weighted average assumptions used in the model were as follows:

Risk-free rate of return	1.28%
Expected share price volatility	74.39%
Weighted average expected life of the share purchase options	60
Expected dividend yield	Nil%

The continuity of share purchase options for the period ended June 30, 2012 is as follows:

	Number	Weighted Average Exercise Price
Outstanding at October 1, 2010	6,068,400	\$0.19
Expired / Cancelled	(460,000)	(\$0.19)
Granted	2,300,000	\$0.28
Outstanding at September 30, 2011	7,908,400	\$0.21
Granted	2,325,000	\$0.25
Exercised	(170,000)	(\$0.18)
Expired / Cancelled	(3,788,400)	(\$0.19)
Outstanding at June 30, 2012	6,275,000	\$0.15

As at June 30, 2012, 4,425,000 share purchase options are fully vested and exercisable and 1,850,000 share purchase options are unvested.

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15. SHARE CAPITAL – Continued

As at June 30, 2012 the following share purchase options were outstanding:

Number of Options	Exercise Price	Expiry Date
120,000	\$0.17	May 6, 2013
430,000	\$0.17	March 23, 2014
100,000	\$0.17	May 15, 2014
1,000,000	\$0.20	September 3, 2015
50,000	\$0.275	January 4, 2016
400,000	\$0.42	February 24, 2016
600,000	\$0.25	August 1, 2016
1,250,000	\$0.25	August 1, 2016
2,325,000	\$0.25	December 28, 2016
6,275,000	\$0.15	

iv) Share Purchase Warrants

The continuity of the share purchase warrants for the nine month period ending June 30, 2012 is as follows:

	Number	Weighted Average Exercise Price
Outstanding at October 1, 2010	28,799,600	\$0.17
Issued	16,670,024	\$0.36
Exercised	(28,385,929)	(\$0.17)
Expired / Cancelled	(692,906)	(\$1.75)
Outstanding at September 30, 2011	16,390,789	\$0.35
Exercised	(4,059,748)	(\$0.21)
Expired / Cancelled	(5,611,833)	(\$0.23)
Granted	2,000,000	\$0.40
Outstanding at June 30, 2012	8,719,208	\$0.35

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15. SHARE CAPITAL – Continued

At June 30, 2012, the Company has outstanding share purchase warrants entitling the holders to acquire Common shares as follows:

Number of Shares	Exercise Price	Expiry Date
242,857	\$0.50	November 30, 2012
3,125,000	\$0.50	November 30, 2012
2,000,000	\$0.65	June 2, 2013
1,351,351	\$0.45	June 22, 2013
2,000,000	\$0.40	January 20, 2014
8,719,208	\$0.35	

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As noted in note 2, these interim financial statements have been prepared in accordance with IAS 34 and IFRS 1. The accounting policies described in note 2 have been applied in preparing these interim financial statements for the nine months ended June 30, 2012, the comparative information presented in these condensed interim financial statements and in the preparation of an opening IFRS balance sheet as at October 1, 2010, the Company's date of transition. An explanation of IFRS 1, first time adoption of IFRS exemptions, and the required reconciliations between IFRS and Canadian GAAP are described in the Notes to the Financial Statements at December 31, 2011.

17. SUBSEQUENT EVENTS

On July 31, 2012, the Company issued 7,030,700 flow-through common share units at \$0.12 per unit for gross proceeds of \$843,684.

Each flow-through common share unit consists of one flow-through common and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share in the capital of the Company at a price of \$0.25 per Common Share until July 31, 2014.