



Form 51-102F1

Management's Discussion and Analysis for the period ended

June 30, 2012

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**GWR RESOURCES INC.**  
(An Exploration Stage Company)

**Management's Discussion and Analysis**

**For the period ended June 30, 2012**

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The following management's discussion and analysis ("MD&A") of the financial condition of GWR Resources Inc. ("GWR" or the "Company") and results of operations of the Company should be read in conjunction with unaudited interim financial statements including the notes thereto for the six months ended June 30, 2012 and the audited financial statements including the notes thereto for the year ended September 30, 2011.

The unaudited interim financial statements and related notes are presented in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") which were revised to incorporate International Financial Reporting Standards ("IFRS"). GWR's accounting policies are described in note 2 of the June 30, 2012 unaudited interim financial statements. These financial statements, together with the following MD&A dated August 10, 2012, are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in this MD&A may include forward-looking statements. All dollar amounts are in Canadian dollars unless otherwise noted.

### **Special Note Regarding Forward Looking Information**

The Company's unaudited interim financial statements for the nine months ended June 30, 2012 including the notes thereto and this accompanying MD&A, contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting", and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions/ Forward-looking statements in this MD&A include statements regarding the Company's future exploration plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to a part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "RISKS AND UNCERTAINTIES" and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, timing of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from

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those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Additional information relating to the Company and its operations can be obtained from the offices of the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Overall Performance**

GWR is a mineral exploration company engaged in the expansion and exploration of mineral resource properties. The Company is a Tier One issuer that trades on the TSX Venture Exchange under the symbol GWQ. As at the date hereof, the Company holds a 100% interest in the Lac La Hache property, except for the Peach Lake claims where it holds an 80% interest. The Company is in the process of disengaging its exploration activities on the Sainte Sabine claims located in the Bellechase region of southern Quebec.

Activity of the Company is generally dependent on the sources of capital and access to funding in the capital markets. As at June 30, 2012, the Company has working capital of \$220,639 (September 30, 2011- \$4,553,884) an accumulated deficit of \$17,096,056 (September 30, 2011- \$14,776,198), limited resources and no source of operating cash flow. The ability of the Company to continue as a going concern is dependent on the ability to generate future profitable operations and receive continued financial support from its shareholders. Management will be actively seeking to raise the necessary capital in the venture capital market. There is no assurance that equity financing will be available or if available, will be on reasonable terms.

During the quarter ending June 30, 2012, the Company issued 978,675 common shares for total proceeds of \$244,669. Subsequent to this period, the Company issued an additional 7,030,700 common shares for a total proceeds of \$843,684 as a result of the completion of a brokered private placement.

Field activity during the third quarter included new bedrock mapping by Dr. D. Bailey in the recently acquired ground north of Spout Lake, dominated by the Spout intrusion. This work confirms sparse outcrop, extensive overburden, but supports interpretation of skarn and porphyry deposit potential within the largely unexplored Murphy Block. Overburden conditions (extensive, commonly >20 feet thick, presence of lodgment till locally) and presence of Eocene volcanic cover rocks in some areas significantly reduces effectiveness of induced polarization surveys and soil/stream sediment geochemical sampling. As a result, these surveys will not be conducted during Q3/Q4, and effective drill targeting will be conducted using primarily historical and new geophysical/geological information. The preliminary version of the new geological mapping has already helped interpretation of geophysical responses from the Quantec Titan-24 induced polarization survey, and will provide key Quarter 4 drill targeting information.

A pitting/trenching program was designed in the third quarter for Aurizon South work, to attempt to locate in subcrop the surface expression of the gold-rich hydrothermal breccia/fracture system, as a guide to shallow drilling planned in fourth quarter. This work has uncovered a new occurrence of the breccia, above existing drilling, but is also challenged by overburden thickness in some areas, along strike to the south, which may limit trenching effectiveness.

A Request-For-Proposal was created and distributed to potential drilling contractors to support a summer/fall 2012 drilling program. Bids were received and evaluated from 14 contractors, resulting in award of contract to L.D.S. Drilling Ltd, Kamloops. Drilling has been scheduled to commence late July.

During the third quarter, an up-to-date Lac La Hache Assessment Report was completed by B. Augsten. Historical and supporting technical components for the first GWR NI43-101 Resource Report (Spout Zones) were provided by R. Shives to consultants SRK.

Additional technical activities included: preparation and delivery of a formal GWR-Lac La Hache presentation at the annual Kamloops Exploration Group conference, along with corporate and core display booths; significant revision to corporate presentations, used at several Broker meetings during the third quarter and to update the corporate website; creation and distribution of 4 technical News Releases.

### Results of Operations

Activities of the Company for the nine months ended June 30, 2012 focused on the continuing exploration work on its Lac La Hache property as indicated in the *Overall Performance* described above.

Total exploration expenditures in the nine months ending June 30, 2012 were \$3,525,138, an increase of 24% from \$2,841,467 during the same period in 2011. The increase in expenditures is attributable to the increased drilling in support of a NI43-101 Resources estimate for the Spout Lake deposits and increased sampling and assaying recommended by the Company's exploration advisor. These activities also resulted in the increase to related costs, including vehicle, reclamation, equipment rentals, and staff costs.

Net administrative costs during the nine months ending June 30, 2012 totaled \$970,154, an increase of 43% from \$676,757 over the same period in 2011. In addition, there was an impairment charge of \$1,349,704 as a result of the Company's abandonment of its Sainte Sabine mineral claims. This results in a net comprehensive loss of \$2,319,858 for the six months ending June 30, 2012.

Significant administrative costs include the following:

- **Professional fees** - \$2,088 (2011 - \$19,292).
- **Stock-based compensation** - \$229,013 (2011 - \$126,000).
- **Consulting fees** - \$202,950 (2011 - \$60,441) increased primarily as a result of Management Fees (\$90,000) and consulting services provided for administrative purposes (\$112,950) which had not previously been allocated to administrative costs.
- **General and administrative expenses** - \$212,941 (2011-\$55,646) increased mainly as a result of additional travel costs incurred by management in the promotion of the Company to the investment community.

### Summary of Quarterly Results

The selected information set out below has been gathered from the previous eight quarterly financial statements for each respective three month financial period and reflects the impacts of the Company's adoption of IFRS:

	Revenue	Loss	Loss per share
	\$	\$	\$
June 30, 2012	Nil	1,488,710	.011
March 31, 2012	Nil	207,131	.001
December 31, 2011	Nil	647,431	.005
September 30, 2011	Nil	301,637	.002
June 30, 2011	Nil	252,328	.006
March 31, 2011	Nil	252,323	.003

December 31, 2010	Nil	172,106	.002
September 30, 2010	Nil	732,859	.020

### Third Quarter Results

The Company incurred a loss of \$139,005 during the third quarter as a result of normal operating costs totaling \$177,715 and offset by \$38,710 in other income.

### Liquidity

The Company's cash and cash equivalents are comprised of bank deposits and highly liquid temporary investments and have no exposure to asset backed commercial paper.

The Company's historical capital needs have been met by issuance of shares. As at June 30, 2012, the Company's working capital was \$193,282 (September 30, 2011 - \$4,543,887) an accumulated deficit of \$17,096,056 (September 31, 2011 - \$14,776,198) The Company proposes to meet any additional financing requirements through equity financing.

The Company's cash position as at June 30, 2012 was \$414,701 (September 30, 2011 - \$4,884,731). The decrease in cash was due primarily to property, exploration and development expenditures in the amount of \$4,428,753 and \$970,154 in operating activities, offset by proceeds from the issue of common shares in the amount of \$978,162.

Outstanding contractual obligations include the leased equipment acquired in December, 2011 in the amount of \$271,177. The minimum annual rental payments under the leasing agreement are as follows: 2012 - \$52,312, 2013 - 103,282 and 2014 - \$82,345.

### Capital Resources

The Company's ability to raise additional funds from the equity markets will largely depend upon general market conditions and the Company's ability to achieve certain exploration milestones.

Authorized share capital is an unlimited number of common shares without par value. Issue and outstanding common shares at June 30, 2012 was 141,416,617 (September 30, 2011- 135,370,749).

During the quarter, the Company issued 532,715 common shares as a result of the exercise of 2,543,457 share purchase warrants and 40,000 common shares as payment relating to the acquisition of additional claims in the Lac La Hache group of claims.

### Transactions with Related Parties

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

Included in property exploration costs:

	As at March 31, 2012	As at March 31, 2011
Consulting fees	\$ 109,485	170,722
Field supervision	-	64,000

Equipment rental	-	211,860
Shop rent	-	45,784
	\$ 109,485	\$ 492,366

Included in operations:

	As at March 31, 2012	As at March 31, 2011
Management fees	\$ 90,000	\$ 16,000
Consulting fees	77,176	-
Office rent	-	9,000
Loan bonus	-	8,976
	\$ 167,176	\$ 33,976

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.

As at June 30, 2012, there were no amounts due to or from related parties.

#### Outstanding Share Data

As at June 30, 2012, the Company had the following common shares, stock options and warrants outstanding:

Common shares	142,394,842
Stock options	6,275,000
Warrants	8,719,208
Agent's Compensation Options	485,714

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**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**Proposed Transactions**

The Company has no specific proposed transactions. However, consistent with the nature of the Company's operations, the Company is continuously reviewing potential mineral property acquisitions and is likely to acquire additional mineral properties in the future.

**Critical Accounting Estimates**

The Company's discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, are based on its financial statements that have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the impairment of long-lived assets.

Management bases its estimates and judgments on historical experience, contractual arrangements and commitments and on various other assumptions that it believes are reasonable in the circumstances. Changes in these estimates and judgments will impact the amounts recognized in the financial statements, and the impact may be material. Management believes significant estimates and assumptions include those related to the recoverability of mineral properties and deferred exploration expenditures, estimated useful lives of capital assets, determination as to whether costs are expenses or deferred and asset retirement obligations.

Critical accounting estimates used in the preparation of the financial statements include the assumption the Company is a going concern, recoverable value of its mineral properties, asset retirement obligations, valuation of stock-based compensation and future income taxes. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

*Going concern*

The Company's financial statements have been prepared on the basis of a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has experienced recurring losses, has not generated profitable operations since inception and as at June 30, 2012 has accumulated losses of \$17,096,056 since inception. Should the Company be unable to continue as a going concern, the realization of assets may be at amounts significantly less than the carrying value. The continuation of the Company as a going concern is dependent on its ability to obtain additional equity capital to finance existing operations, attaining commercial production from its mineral properties, and attaining future profitable operations. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

*Mineral resources properties*

The Company records its interest in mineral resource properties at cost. Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned.

If the property is placed under production, deferred costs would be amortized over the estimated life of the mineral property. The deferred costs would be written off if the property is sold or abandoned. If it is determined that the carrying value of the property exceeds its net recoverable amount as determined by management, or exceeds the selling value of the property, a provision is made for the decline in value and charged against operations in the year of determination of value. The amounts shown for mineral resource properties and related deferred costs represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

#### *Asset retirement obligations*

The Company's exploration activities are subject to various laws and regulations for federal, regional and provincial jurisdictions governing the protection of the environment. These laws are continually changing. The Company believes its operations are in compliance with all applicable laws and regulations. In the future the Company may be liable for expenditures required to comply with such laws and regulations but cannot predict the amount or timing of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements.

#### *Stock-based compensation*

The Company uses the fair-value based method to account for all stock-based payments. Fair value is calculated using the Black-Scholes option-pricing model, which require the input of highly subjective assumptions, including expected price volatility, estimated timing of the exercise of the stock based instrument and a risk free discount rate. The fair value of the compensation cost is recorded as a charge to net earnings based over the vesting period with a credit to contributed surplus.

#### **Financial Instruments and Other Instruments**

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of instruments outstanding:

Cash and cash equivalents	Loans and receivables
Reclamation deposit	Held to maturity investment
Amounts receivables	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Lease obligation	Other financial liabilities

#### **Fair value of financial assets and liabilities**

The carrying amount for cash and cash equivalents that are not restricted, receivables, accounts payable and accrued liabilities in the statement of financial position approximate fair value because of the limited term of these instruments.

#### **Changes in Accounting Policies including Initial Adoption**

We prepare our financial statements in accordance with the framework as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and require publicly traded accountable enterprises to apply such standards effective for years beginning on or after October 1, 2010. Accordingly, we have commenced reporting on October 1, 2010 under this basis.



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The June 30, 2012 unaudited interim financial statements have been prepared in accordance with the International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") and IFRS 1, *First-Time Adoption of IFRS* ("IFRS 1"). Subject to certain transition elections disclosed in Note 16 to the interim financial statements, we have consistently applied the same accounting policies in our opening IFRS statement of financial position as at October 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 15 discloses the impact of the transition to IFRS on our reported statements of financial position, comprehensive loss and changes in equity, including the nature and effect of significant changes in accounting policies from those used in our financial statements for the year ended September 30, 2011.

No changes in the Company's system of internal controls over financial reporting are required under the adoption of IFRS.

### **Risks and Uncertainties**

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to; environmental, metal prices, mining, and governmental policies.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the title. Property title may be subject to unregistered prior agreements or transfer and title may be affected by undetected defects.

The Company has no significant source of operating cash flow and no revenues from operations. The Company has limited financial resources. The Company's ability to continue operating as a going concern is dependent upon management's success in raising additional monies to sustain the Company until cash-flow from operations is adequate to sustain the Company's viability. Substantial expenditures are required to be made by the Company to establish ore reserves and develop a mining operation.

The property interest owned by the Company, or in which it has interest in, are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Mineral exploration may not result in any discoveries of commercial bodies of mineralization. In efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The exploration activities of the Company are subject to various laws governing prospecting,, taxes, labour standards, land use, toxic substances, land claims of local people and other matters. These laws and other governmental policies may affect investments of the Company and/or its shareholders.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of the properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.