GWR Resources Inc.

Management's Discussion and Analysis
For the twelve months ended September 30, 2011

The following management discussion and analysis, prepared by management of GWR Resources Inc. (the “Company”) as at January 27, 2012, should be read in conjunction with the Company’s audited financial statements for the year ended September 30, 2011 and related notes attached thereto which are prepared in accordance with Canadian generally accepted accounting principles, and

Certain statements included or incorporated by reference in this Management Discussion and Analysis ("MD&A") constitutes forward-looking statements or forward-looking information under applicable securities legislation. These forward-looking statements are not guarantees of future performance and involve risk and uncertainties, which could cause actual results to differ materially from those anticipated. The Company expressly disclaims any obligation to update forward-looking statements unless so required by applicable laws.

These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following:

1. capital expenditure programs;
2. development of resources;
3. expectations regarding the Company's ability to raise capital;
4. expenditures to be made by the Company to meet certain work commitments; and
5. work plans to be completed by the Company.

With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

1. the British Columbian and Quebec legislative and regulatory environment;
2. the impact of increasing competition;
3. unpredictable changes to the market prices for minerals;
4. anticipated results of exploration activities; and
5. the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

1. volatility in the market prices for minerals;
2. uncertainties associated with estimating resources;
3. geological, technical, drilling and processing problems;
4. incorrect assessments of the value of acquisitions;
5. unanticipated results of exploration activities; and
6. unpredictable weather conditions.

All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Note that additional information related to the Company is available on SEDAR at www.sedar.com.

1. ***Nature of Operations and Overall Performance***

Description of Business

GWR Resources Inc. is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange under the trading symbol "GWQ". GWR is a mineral exploration company whose principle focus is the acquisition, exploration and development of mineral properties. The Company currently has the right to exploration and development of copper and gold properties located in British Columbia. These properties are comprised of approximately 65 square kilometres of contiguous claim groups located approximately 17 kilometres north northeast of Lac La Hache in south central BC. The properties are accessed by approximately 30 kilometres of all-weather logging roads. Lac La Hache is located on BC Highway 97 approximately 65 Kilometres south of Williams Lake, and is well served by rail, road and power infrastructure. Operations on the property may be carried out 12 months of the year. GWR has accumulated the property and conducted exploration since 1988.

The Company also has a 40% interest in the Sainte Sabine project, a high-potential gold property located within the Bellechasse Mineral Belt in southeastern Quebec. Sainte Sabine is both a gold and gold-polymetallic (Au-Ag-Zn-Cu) property and is located approximately 100 km southeast of Quebec City, within the Beauce region. The property lies immediately along and across strike of several known zones currently being tested by Golden Hope Mines on their Bellechasse Project**.**

Exploration Program and Results

1. Lac La Hache Project, British Columbia

Previously: Phase 1 drilling (143 holes, 15,462 m) within the North and South Spout Zones was completed during Q2, successfully testing strong ground magnetometer anomalies caused by near-surface, high-grade concentrations of magnetite-copper-gold-silver (Fe assays from 15 % to 66 %, Cu from 0.5 to 8 %, over 2 m cut NQ core intervals). All Phase 1 results are available with drill plans, technical maps, presentations and related drill core photos at www.gwrresources.com). This was followed in Q3 by data compilation/planning, company restructuring, office consolidation, new procedures and equipment purchases to reduce overhead and improve operations. Spout Zone data was provided to SRK Consulting (Canada) Inc to provide drill targeting in support of preliminary resource estimates.

Access to the property in Q4 was delayed by spring-runoff washouts on the main road, requiring a formal engineering assessment to effect repairs and approved culvert installations. Phase 2 drilling at Spout commenced during Q4 (late July) to test lateral extent of the subhorizontal South Zone skarn horizon, and to partially extend portions of the North Zone above 900m ASL (roughly 200m below surface) as recommended by SRK. Approximately 5200 meters were drilled in Q4, with 2 rigs from Atlas Drilling Limited completing 25 holes (averaged 83 metres per day). Results were predictable based on ground magnetic survey patterns over the South Zone, and geological trends established in Phase 1 drilling through the North Zone.

The South Zone edges remain essentially the same as previously modelled by SRK, with some minimal lateral extension in a few locations, and confirmation of continuity within the zone where some gaps existed. These results (see Sept 22 News Release at

www.gwrresources.com/s/NewsReleases.asp) and data from post-Q4 drilling (to Dec 17, 2012) on the North Zone will be added to ongoing SRK modelling. The strike length of massive magnetite-copper-gold-silver within the North Zone was once again extended 100 m (now 500 m overall) toward the southeast by two new holes, where it deepens and lies below the horizontal South Zone (see Aug 22, 2011 News Release). On the northwest end of the currently defined North Zone, two holes confirmed projections of higher-grade copper-bearing shoots within the subvertical structure, intersecting massive chalcopyrite over 10 meters, with very high gold and silver content indicated by XRF measurements. Subsequent Q4 assays are expected to confirm the extremely high metal grades within this encouraging extension.

In mid-July, magnetic separation tests were conducted by GNT Metallurgical Services Limited (Kamloops) on 100 pulverized assay lab reject samples from the Spout Zones, to investigate recoverable magnetic content and average grain size. The samples were selected by GWR based on a wide range of Fe assay values from 3 to 66 per cent Fe. Very high correlation (98%) between our standard lab Fe assays and recoverable per cent magnetite supports approximation of magnetite using the assays. The average mass captured into a magnetic concentrate from the 100 samples tested was about 30 percent by weight. The average iron content of the concentrates was 55 percent by weight iron. As pure magnetite contains 72.4 percent iron, these concentrates still likely contain locked gangue minerals. The average feed sizing of 4 samples measured using a Malvern laser sizing instrument was 53µm K80: a finer feed sizing is likely to produce higher grade concentrates.

During Quarter 4, no work was completed in the Peach Lake magnetic anomaly area located east of the Spout Zones, as permitting for the drilling designed to test a few locations along the trend had not been received.

2. Sainte Sabine Project, Quebec

Previously: In Quarter 4, GWR's Sainte Sabine accommodation/office setup commenced, work was underway to modify a nearby existing building to serve as a core processing facility, and available historical and new data was compiled, supporting drill target selection. New Mobile Metal Ion surveys were completed in selected areas.

During Q4, landowner access work was accelerated in high priority areas. Office setup (furniture, plotter, printer, network) was completed. MMI soil samples were shipped for assay. Reconnaissance geological field examinations were conducted over existing showings/deposits on or near GWR's property to build knowledge for improved vectoring. Additional GIS compilation was completed by MapIT (Ottawa). Drill contractor bids were solicited, reviewed and a 4000 m contract was awarded to Matrix Diamond Drilling Inc., Kimberly, BC. Drilling was scheduled to commence in Q1 (November 2011), targeting soil anomalies and geophysical patterns in geological settings typical of known gold and polymetallic mineralization along and across strike from GWR's claims.

Additional activity during the reporting period includes:

- creation of material for the Company website and News Releases;
- preparation of technical presentations, core displays and field visit related to annual AGM held in Lac La Hache on August 12, 2011.

Overall Performance

To date, the Company has not yet realized profitable operations and has relied on the raising of capital through the issuance of company stock. The Company currently requires additional equity financing to continue business and there can be no assurance that such financing will be available or if available, will be on reasonable terms.

During the twelve months ended September 30, 2011, the Company incurred a net loss of $978,394 (2010 - $1,195,704).

At September 30, 2011, the Company had $4,884,731 (September 30, 2010 - $300) in cash, an increase of $4,884,431 during the period. The change in cash during the period resulted from:

1. Use of cash by Operating activities in the amount of $ 998,770 (2010 – $520,047). The use of cash in operating activities consists primarily of an increase in operating activities of $674,105 (2010 - $721,069) from the Company's operating loss of $978,394 (2010 - $1,195,704) offset by an decrease in non-cash working capital items in the amount of $324,665 (increase in 2010 – $201,022) largely due to an increase in accounts receivables in the amount of $202,776 and in prepaid expenses in the amount of $177,165. The increase in the accounts receivables is mainly due to recoverable sales taxes in both British Columbia and Quebec. The increase in prepaid expenses is due mainly to a deposit paid in respect to the purchase of mineral claims in Lac La Hache area.

2. Increase in cash from Financing activities of $10,353,962 (2010 - $2,424,176). Proceeds of share issuances amounted to $10,489,362, (2010 - $2,394,845) net share issue costs of $345,682 (2010 - $294,201).

3. Use of cash of $4,470,761 (2010 - $1,970,260) in investing activities. The Company incurred total exploration expenditures of $3,927,649 (2010 - $1,935,059) during the current period with $314,002 (2010 - $105,185) incurred on the Sainte Sabine property in Quebec and $3,613,647 (2010 - $1,829,874) incurred on the e Lac La Hache property. The Company also acquired additional property in the amount of $25,000 (2010 - $58,456) in its Sainte Sabine claims in Quebec.

Outlook

Over the next year, the Company's main exploration objectives are to continue to assess its exploration project in the Lac La Hache region. GWR believes the property offers excellent gold potential and possesses numerous favourable criteria.

2. ***Selected Annual Information***

The following table provides a brief summary of the Company's financial operations for each of the last three fiscal years. For more detailed information, refer to the Company's audited financial statements for the specific periods.

	Year Ended September 30 2011	Year Ended September 30, 2010	Year Ended September 30 2009
Total interest income	$ 11,286	$ 1,812	$ 20,953
Net loss before extraordinary items	(978,394)	(1,195,704)	(1,403,026)
Net loss from operations	(978,394)	(1,195,704)	(1,403,026)
Basic and diluted loss per share	(0.01)	(0.02)	(0.03)
Total assets	30,198,530	20,498,301	18,700,624
Total long-term liabilities	4,867,860	3,983,389	3,791,389

3. ***Results of Operations***

During the twelve months ended September 30, 2011 the Company had a net loss of $978,394 (2010 - $1,195,704). Significant expenses during the period were as follows:

- **Consulting, director and management fees** - $120,456 (2010 - $38,031) increased primarily as a result of consulting fees that were previously allocated to exploration costs ($60,000). In reviewing the nature of these costs, management decided that these costs were attributed to supervision of the Lac La Hache office as a general expenditure rather than costs that were a result of exploration activities.
- **Flow-through Part XII.6 tax, penalties** - $18,649 (2010 - $109,191 Recovery) decreased during the year in the amount of $90,542 relating to the penalty resulting expenditures made in 2011 that were renounced in 2010 look-back rule (S.66(12.66) of the Income Tax Act.
- **Interest and bank charges** - $70,751 (2010 – 15,682) increased as a result of loan bonuses paid to a director and unrelated party ($62,710).
- **Office and general expenses** - $62,620 (2010 - $147,000) decreased primarily as a result of the consolidation of its offices in Lac La Hache.
- **Professional fees** - $117,114 (2010 - $142,075) is comprised of legal fees of $54,470 (2010 - $62,915) and audit fees of $62,644 (2010 - $79,160). The decrease of $24,960 is not considered material by management.
- **Salaries and benefits expense** - $194,361 (2009 - $113,431). The increase is a reflection of investor relations and legal advice costs ($35,968) that were reclassified in the previous year to professional fees.
- **Stock-based compensation** - $164,389 (2009 - $429,000) is a result of the Company having granted 2,300,000 incentive stock options to officers, directors and employees. Additional information can be found in Par. 6(b) and (d) of the Notes to the Financial Statement.

4. ***Summary of Quarterly Results***

For the Quarters Ended

	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011
Total assets	$23,778,960	$24,369,945	$29,086,739	$30,198,530
Working capital (deficiency)	1,849,454	922,695	5,035,985	4,553,884
Shareholders' equity	18,299,679	18,990,513	24,011,021	24,545,982
Net income (loss)	(172,106)	(252,323)	(252,328)	(301,637)
Earnings (loss) per share	(0.002)	(0.003)	(0.006)	(0.01)

For the Quarters Ended

	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
Total assets	$ 19,408,496	$ 19,245,915	$ 20,385,505	$ 20,498,301
Working capital (deficiency)	(73,958)	(414,100)	704	(798,112)
Shareholders' equity	14,935,861	14,880,808	16,151,051	15,668,300
Net income (loss)	(181,744)	(142,941)	(138,160)	(732,859)
Earnings (loss) per share	(0.003)	(0.002)	(0.006)	(0.02)

5. ***Liquidity***

The Company's historical capital needs have been met by issuance of shares. As at September 30, 2011, the Company's working capital was $ 4,553,884 (September 30, 2010 – $798,112 Deficit). The Company proposes to meet any additional financing requirements through equity financing.

The Company's cash position as at September 30, 2010 was $4,884,731 (September 30, 2010 - $300). The increase in cash was due primarily to an increase of equity in the amount of $10,353,962 offset by exploration and development expenditures in the amount of $3,927,649, purchase of capital assets in the amount of $518,612 and $978,394 in operating activities.

The Company has a future income tax liability of $884,471 incurred in the year ending September 30, 2011 that resulted from the renouncement of flow-through shares, whereby the tax benefit of the Company's exploration activities are transferred to the purchasers of the flow-through shares.

The Company does not have operations that generate cash flow and it is unlikely that it will generate cash flow in the foreseeable future.

Future cash requirements will depend primarily on the extent of future exploration programs. Subsequent phases will depend, both on cost and duration, and on results from previous phases, and it is therefore extremely difficult to predict future cash requirements. At the date of this report, the Company has adequate funds on hand to complete its planned exploration programs.

The Company is dependent on raising funds by the issuance of shares in order to undertake exploration and development interests and meet general and administrative expenses beyond one year in the future. There can be no assurance that the Company will be successful in obtaining their required financing.

6. ***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 September 30, 2011 was 135,370,749 (September 30, 2010 – 82,753,162).

During the year ended September 30, 2011, the Company completed the following share issuance transactions.

On October 1, 2010, pursuant to a brokered private placement, the Company issued 2,467,750 flow-through Units at $0.16 per unit and 3,346,160 non-flow through units at $0.15 per unit for total gross proceeds of $896,764. Each flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until October 1, 2011. Each non-flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until April 1, 2012. The fair value of the share purchase warrants, estimated to be $129,085, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions: Share price volatility – 61%; Expected term – 1.3 years; Risk-free rate of return – 1.43% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling $124,521, including finders' fees of $71,741, corporate finance fees of $20,000, legal and filing fees of $17,434 and issued 465,112 agent's warrants entitling the holder to purchase one common share at an exercise price of $0.25 until April 1, 2012. The fair value of the agent's warrants, estimated to be $15,346, was recorded as a reduction to share capital as share issue costs and credited to Contributed Surplus. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 65%; Expected term – 1.5 years; Risk-free rate of return – 1.43% and Expected dividend yield – 0%.

ii) On November 10, 2010, pursuant to a brokered private placement, the Company issued 2,270,000 flow-through Units at $0.16 per unit and 1,866,906 non-flow through units at $0.15 per unit for total gross proceeds of $643,236. Each flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until November 10, 2011. Each non-flow through unit consisted of one flow-through common share and one non-transferrable non-flow through share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until May 10, 2012.

The fair value of the share purchase warrants, estimated to be $184,912, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions: Share price volatility – 63%; Expected term – 1.2 years; Risk-free rate of return – 1.70% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling $118,558, including finders' fees of $51,459, agent commissions of $35,000, filing fees of $7,973 and issued 330,952 agent's warrants entitling the holder to purchase one common share at an exercise price of $0.25 until May 10, 2012. The fair value of the agent's warrants, estimated to be $24,126, was recorded as a reduction to share capital as share issue costs and credited to Contributed Surplus. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 65%; Expected term – 1.5 years; Risk-free rate of return – 1.70% and Expected dividend yield – 0%.

iii) On November 30, 2010, pursuant to a brokered private placement, the Company issued 6,250,000 flow-through Units at $0.28 per unit for total gross proceeds of $1,750,000. Each flow through unit consisted of one flow-through common share and one-half non-transferrable non-flow through share purchase warrant entitling the holder, in exchange for one share purchase warrant, to purchase one additional common share at an exercise price of $0.50 until November 30, 2012. If the closing price of the common shares of the Company on the TSX Venture Exchange is greater than $0.70 for at least 20 consecutive trading days in the period from March 31, 2011 to November 30, 2012, the Company may accelerate the expiry date of the warrants by giving notice to the warrant holders and in such case the warrants will expire on the 30th day after the date on which such notice is given. The fair

value of the share purchase warrants, estimated to be $160,379, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following: Share price volatility – 72%; Expected term – 2 years; Risk-free rate of return – 1.69% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling $176,573, including finders' fees of $102,000, legal and filing fees of $26,725 and issued 485,714 agents's units entitling the holder to purchase one unit at an exercise price of $0.28 until November 30, 2012. Each unit is comprised of one common share and one-half non-transferrable share purchase warrant entitling the holder, in exchange for one share purchase warrant, to purchase one additional common share at an exercise price of $0.50 until November 30, 2012. The fair value of the agent's units, estimated to be $47,848, was recorded as a reduction to share capital as share issue costs and credited to Contributed Surplus. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 72%; Expected term – 2 years; Risk-free rate of return – 1.69% and Expected dividend yield – 0%.

iv) On June 2, 2011, pursuant to a non-brokered private placement, the Company issued 4,000,000 non-flow-through Units @ $0.45 per unit for a total gross proceeds of $1,800,000. Each unit consisted of one non-flow through share and one-half non-transferrable non-flow through share purchase warrant entitling the holder, in exchange for one half share purchase warrant, to purchase one additional common share of the at an exercise price of $0.65 until June 2, 2013. The fair value of the share purchase warrants, estimated to be $133,301, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following: Share price volatility – 64%; Expected term – 2 years; Risk-free rate of return – 1.56% and Expected dividend yield – 0%.

The Company incurred share issued costs totalling $9,750 on filing fees.

v) On June 22, 2011, pursuant to a non-brokered private placement, the Company issued 1,351,351 non-flow through Units @ $0.37 per unit for a total gross proceeds of $500,000. Each unit consisted of one non-flow through share and one non-transferrable non-flow through share purchase warrant entitling the holder, in exchange for one share purchase warrant, to purchase one additional common share of the at an exercise price of $0.45 until June 22, 2012, and $0.60 until June 22, 2013 . The fair value of the share purchase warrants, estimated to be $67,267, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following: Share price volatility – 65%; Expected term – 2 years; Risk-free rate of return – 1.56% and Expected dividend yield – 0%. The Company incurred $3,600 in legal and filing fees.

vi) Through-out the period 460,000 stock options and 1,855,005 agent's options have been exercised for total cash proceeds of $157,319 and 28,385,929 warrants have been exercised for total cash proceeds of $5,087,725. On exercise of stock options and warrants the value of the exercised securities when issued, originally credited to contributed surplus (stock options - $48,061; agent's units - $25,060; warrants - $1,433,792), is credited to share capital and debited to contributed surplus. There were also 692,906 stock options that were cancelled. The fair value of these options in the amount of $55,676 was originally credited to Contributed Surplus at the time they were issued.

As at September 30, 2011, the Company had 16,390,789 warrants outstanding. The warrants are exercisable as follows:

Number of warrants	Exercise Price	Expiry Date
675,000	$0.25	October 01, 2011[(1)]
2,270,000	$0.25	November 10, 2011[(2)]
915,252	$0.12	December 22, 2011[(3)]
97,302	$0.15	January 12, 2012[(4)]
384,295	$0.12	February 2, 2012
3,346,160	$0.25	April 1, 2012
1,733,572	$0.25	May 10, 2012
250,000	$0.25	May 14, 2012
242,857	$0.50	November 30, 2012
3,125,000	$0.50	November 30, 2012
2,000,000	$0.65	June 02, 2013

1,351,351	$0.45	June 22, 2013
16,390,789	$0.35	

(1) 512,500 warrants exercised, 162,500 warrants expired
(2) 1,237,500 warrants exercised, 1,032,500 warrants expired
(3) 776,791 warrants exercised, 138,461 warrants expired
(4) Expired subsequent to year end

As at September 30, 2011, the Company had 7,908,400 options outstanding. The options are exercisable as follows:

Number of Options	Exercise Price	Expiry Date
449,000	$0.17	November 01, 2011 (1)
375,000	$0.20	November 01, 2011 (1)
635,000	$0.17	December 13, 2011 (1)
1,009,400	$0.20	December 13, 2011 (1)
50,000	$0.17	December 20, 2011 (1)
310,000	$0.17	December 25, 2011 (1)
435,000	$0.20	December 25, 2011 (1)
100,000	$0.17	February 02, 2012
20,000	$0.17	February 20, 2012
120,000	$0.17	May 06, 2013
430,000	$0.17	March 23, 2014
100,000	$0.17	May 15, 2014
575,000	$0.20	September 03, 2015
50,000	$0.275	January 04, 2016
400,000	$0.42	February 24, 2016
600,000	$0.25	August 01, 2016
1,250,000	$0.25	August 01, 2016
7,908,400	$0.21	

(1) Expired

While there can be no guarantee that the warrant or option holders will exercise their warrants or options, any such exercise of options or warrants would provide additional funding to the Company.

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 financial instruments outstanding:

Cash and short term deposits	Held-for-trading
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Due to related parties	Other financial liabilities

Fair value of financial assets and liabilities

The carrying amount for cash and short term deposits that are not restricted, receivables, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

The carrying amount of long-term debt approximates fair value as the rate used is similar to market interest rates for similar debt with similar terms.

The carrying amount of due from related party approximates fair value due to the demand feature of this financial instrument.

The company defines the fair value hierarchy under which its financial instruments are valued as follows:

Level 1: Includes unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: Includes inputs other than quoted prices in level 1 that are observable for assets or liabilities either directly or indirectly

Level 3: Includes inputs for the assets or liabilities that are not based on observable market data

The Company does not have any level 2 or 3 financial instruments as of September 30, 2011.

7. ***Related Party Transactions***

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

	2011	2010
Included in exploration and development expenditures:		
Equipment rental	$ 210,860	$ 211,275
Shop rent	43,500	112,000
Consulting fees	215,310	166,100
Field supervision (management fees)	56,800	96,000
	$ 526,470	$ 585,375
Included in administrative expenses:		
Consulting, director and management fees	$ 96,786	$ 24,000
Interest paid loan	8,976	-
Rent	9,000	14,400
	$ 114,762	$ 38,400

These transactions are measured at the exchange value, being the price agreed to between the parties.

Related party balances at September 30 are as follows:

	2011	2010
Prepaid expenses		
Deposits and prepaid equipment rental paid to a Company with a common director	$ -	$ 34,565
Due to related parties		
Due to a Director	$ -	$ 100,000
Due to a company controlled by the President	-	35,400
	$ -	$ 135,400

8. ***Off-Balance Sheet Arrangements***

There is no off-balance sheet arrangement to which the Company is committed.

9. ***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.

10. ***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 judgements 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 judgements, particularly those related to the determination of the impairment of long-lived assets. Management bases its estimates and judgements 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 judgements 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 judgement 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 September 30, 2011 has accumulated losses of $14,073,069 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 values. 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.

Future income taxes

The Company uses the asset and liability method of accounting for income taxes whereby future income tax assets are recognized for deductible temporary differences and operating loss carry-forwards and future income tax liabilities are recognized for taxable temporary differences. Future income tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment or substantive enactment. The actual income tax rate that may be in effect at the time future income taxes are realized or future income tax liabilities come due will depend upon the income tax rate(s) in effect at the time.

11. ***Changes in Accounting Policies, including initial adoption***

Subsequent to September 30, 2011, the Company has not adopted any new accounting policies.

The following recently issued accounting pronouncements amending generally accounting policies as defined by the Canadian Institute of Chartered Accountants' (CICA) Handbook will impact the Company's future financial statements:

International financial report standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that IFRS, as issued by the International Accounting Standards Board ("IASB"), must be adopted for fiscal years beginning on or after January 1, 2011 by all Canadian publicly accountable enterprises. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. Changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company's management has begun assessing the adoption of IFRS and is in the process of completing its overall conversion plan. The Company's chief financial officer has been delegated the responsibility for completing this process. As part of the plan, the Audit Committee has been directed to monitor the conversion process, including

receiving quarterly updates from the Chief Financial Officer as to his assessment and implementation of the conversion process. The Company will follow the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize assessment of accounting policies with reference to IFRS and plan for convergence to be ready for the 2011 changeover.

A diagnostic impact assessment and a detailed plan for convergence and implementation have been completed. As a result, the following standards have been identified as most likely to have a significant financial statement and/or business impact. However, additional standards may have an impact during transition to IFRS as analyses of changes are still in process, not all decisions have been made where accounting policy choices are available and the AcSB and IASB have released a number of exposure drafts related to proposed changes to IFRS. As a result, the Company is not yet able to reliably quantify the impacts expected on its financial statements.

- IFRS 1 First-time adoption of International Financial Reporting Standards
- IFRS 2 Share based payments
- IFRS 3 Business combinations
- IAS 16 Property, plant and equipment
- IFRS 6 Exploration and evaluation
- IAS 36 Impairment of assets
- IAS 21 Effects of changes in foreign exchange rates
- IAS 12 Income taxes

The Company's preliminary assessment of the impact of adoption of IFRS on its financial statements indicates the only significant impacts on its financial statements may be in the shareholders' equity section of the balance sheet (where at the time of conversion contributed surplus can be netted with the deficit) and significant additional note disclosure. With the adoption of IFRS there is a significant increase in disclosure requirement. The Company is continuing to assess the level of disclosure required and any process and/or system changes necessary to gather the required information.

The Company is currently in the process of analyzing policy alternatives allowed under IFRS and the identification of changes required to existing accounting policies. The Company's objective in choosing its IFRS policies and transition elections is to be IFRS compliant and provide the most meaningful and transparent information to its stakeholders.

For each standard, the qualitative and quantitative impacts to the financial statements, disclosure requirements, system requirements, accounting policy decisions, changes to internal controls, including internal controls over financial reporting, and business policies and processes will be determined. To date, the Company has determined there will be minor adjustments to its procedures and information system in order to collect information to be reported under IFRS.

To date, the chief financial officer have attended IFRS training sessions as needed and has provided the audit committee with information regarding requirements of IFRS and the conversion process. As a group, they will continue to receive ongoing training throughout the conversion process.

Consolidated Financial Statements

Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting, for a non-controlling interest in a subsidiary in consolidated financial statements, subsequent to a business combination.

Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has not adopted the new standard and has determined there will be no impact on its financial statements on the adoption of these new standards.

Business Combination

Section 1582, *Business Combinations*, which replaces Section 1581, *Business Combinations*, establishes standards for the accounting for a business combination. It is the Canadian GAAP equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has not adopted the new standard and has determined there will be no impact on its financial statements on the adoption of these new standards.

12. ***<u>Disclosure Control and Procedures</u>***

Internal Controls and Procedures

The Chief Executive Office and Chief Financial Officer is responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes accordance with Canadian GAAP. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas which existed. The existence of these weaknesses is to be compensated by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue will also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and workload will enable the action.

Risk Factors

In conducting its business, the Company, like all development-stage mineral exploration companies, faces a variety of risks uncertainties. While unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible.

<u>Exploration and Development</u> - Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, but not limited to, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability o a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consulting to assist in its risk management and to make timely adequate decisions.

<u>Title Risks</u> - Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties.

Permitting Risks - The development of mineral resources in British Columbia is subject to a comprehensive review, approval and permitting process involving various provincial and regional agencies, in addition to the various First Nations groups that have jurisdiction in the Company's area of claims. There can be no assurance given for the required approvals and permits for a mining project, even if technically and economically warranted, can be obtained in a timely or cost effective manner.

<u>Fluctuating Metal Prices</u> - Factors beyond the control of the Company have a direct effect on global metal prices, which have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Company’s exploration projects and the Company’s ability to finance the

development of its projects cannot be accurately predicted and may be adversely affected by fluctuations in metal prices.

Environmental Regulations, Permits and Licenses - Environmental laws and regulation could also impact the viability of a project. The Company has ensured that it has complied with these regulations, but there can be changes in legislation outside the Company's control that could also add a risk factor to a project.

Competition - The mineral exploration industry is intensely competitive in all its phases, and the Company competes with some companies that have greater financial and technical resources. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

Future Financings - The Company's continued operation will be dependent in part upon its ability to generate operating revenues and to procure additional financing. To date, the Company has done so through a combination of: (i) equity financing; (ii) cash payments received as property option payments from third parties; and, (iii) profits from the investment in and subsequent sale of junior company shares through its investment portfolio. The current state of global equity markets has had a direct effect on the ability of exploration companies, including the Company, to finance project acquisition and development through the equity markets. There can be no assurance that funds will be generated from the Company’s current revenue sources or that other forms of financing can be obtained at a future date. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in some or all of the properties or joint ventures, or reduce or terminate some or all of the operations.

Price Volatility of Publicly Traded Securities - During recent months, global securities markets have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

13. ***Approval***

The Board of Directors of GWR Resources Inc. has approved the disclosures contained in the Management Discussion and Analysis for the year ended September 30, 2011, prepared as at January 27th, 2012.