

GWR Resources Inc.

Management's Discussion and Analysis
For the six months ended March 31, 2011

The following management discussion and analysis, prepared by management of GWR Resources Inc. (the "Company") as May 30, 2011, should be read in conjunction with the Company's interim financial statements for the six months ended March 31, 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.

In July, 2010, the Company signed an option agreement to acquire 100% 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. New airborne geophysical and ground geochemical surveys will be completed by GWR to improve exploration vectoring on this exciting project.

Exploration Program and Results

1. Lac La Hache Project, British Columbia

As previously reported, in 2010 GWR launched an aggressive exploration program on the Spout Lake Skarn Zones, located in the northwest corner of the Property. Historical drilling had defined a non-43-101 compliant resource for just part of one of several skarn zones in 1993 (North Zone, 595,113 tonnes grading 1.8%cu, 0.12 gpt Au, 51% magnetite). Subsequent drilling in 2005 extended the zone an additional 100 meters deeper, to approximately 300 meters below surface, and it is still open to depth.

To support renewed exploration of the Skarns, a high-resolution ground magnetometer survey was completed in 2010, to accurately map magnetite in the ground. Results show the North Zone extends a minimum of 100 m further to the southeast along strike, beyond the original estimate. The magnetic patterns were used to guide extensive bedrock sampling within 72 test pits. Bedrock grab samples with massive magnetite, disseminated or massive chalcopyrite, strong malachite and azurite (up to 0.53 gpt Au, 3.05 % Cu, 14.8 gpt Ag and 66 % Fe) confirmed that high copper-magnetite-gold-silver values strongly correlate with the ground magnetic anomalies and that economic grades can be found at the bedrock surface at several locations within both North and South Zones.

Realizing the potential of the skarns, GWR's technical team designed an expandable drill program to test North and South Skarn Zones to depths of approx. 80 meters. Drilling commenced November 23, 2010, using 2 drill rigs (Armstrong Drilling and Paycore Drilling) on an initial 4500 m budget. During Q4, a total of 35 NQ holes were completed, including 17 North Zone holes (1,731.9 m) drilled using angled holes at 25-meter collar spacings on sixteen 25-meter sections, and 18 South Zone holes (1,751.4 m) drilled vertically on 20-meter centers. All holes encountered various widths of massive to semi-massive magnetite with finely disseminated to massive chalcopyrite and pyrite, occurring as irregular zones within fine to coarse grained, skarned volcanic tuffs and flows, or as late veins/dykes or fracture-fillings of massive magnetite-chalcopyrite or chalcopyrite-only. In-house, XRF analyses on the sulphides confirm that gold and silver occur with the chalcopyrite, but not with pyrite.

Assays are provided in detail on the Company's website (www.gwrresources.com), but highlights include South Zone copper grades up to 7% Cu/2m with true widths up to 66 m, and iron grades up to 43% Fe /2 m. The North Zone grades up to 8.1% Cu/2m and true widths to 20m and iron grades to 52% Fe/4m. The very positive results prompted doubling of the original budget during

Q4 to 9000 m. Both drill rigs shut down over the Christmas break from December 18 to January 10.

2. Sainte Sabine Project, Quebec

During the first quarter, Sainte Sabine work continued to focus on acquisition and review of a large volume of technical data including land-owner listings, compilation, and search for office, storage, field operations and lodging facilities to support planned GWR exploration activities. Preliminary planning has been conducted with our VP Ex to support soil geochemical surveys in carefully selected areas within the large project area, similar to the program completed over our Lac La Hache project. Additional option-year-1 work (to end of June, 2011) will include rigorous digital data compilation, interpretation, program design, geochemical surveys and some initial prospecting. Follow-up trenching and drill-testing of known or new showings may follow if warranted.

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 six months ended March 31, 2011, the Company incurred a net loss of \$424,429 (2010 - \$323,922).

At March 31, 2011, the Company had \$1,161,941 (September 30, 2010 - \$300) in cash, an increase of \$1,161,641 during the period. The change in cash during the period resulted from:

1. Use of cash by Operating activities in the amount of \$680,218 (2010 – \$346,061). The use of cash in operating activities consists primarily of an operating loss of \$424,429 (2010 - \$324,686) less non-cash charges totalling \$146,491 (comprised of amortization - \$26,691; stock based compensation - \$118,000 and write-off of other assets - \$1,800) (2010 - \$Nil) and a decrease in non-cash working capital items in the amount of \$402,280 (2010 – \$21,375 increase).
2. Increase in cash from Financing activities of \$4,183,668 (2010 - \$1,039,197). Proceeds of share issuances amounted to \$4,513,113, (2010 - \$1,052,472, net of share subscriptions received in a prior period) net of share issue costs of \$331,701 (2010 - \$Nil). During the period, related parties received repayments in the amount of \$134,056 (2010 – advances of \$22,538), the Company eliminated cheques issued in excess of funds on deposit of \$196,346..
3. Use of cash of \$2,341,809 (2010 - \$566,444) in investing activities. The Company incurred total exploration expenditures of \$2,307,828 (2010 - \$576,876) and purchased capital assets in the amount of \$33,981 (2010 - \$Nil).

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. The Company is also commencing the development of the Sainte Sabine property in Quebec. 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, 2010	Year Ended September 30, 2009	Year Ended September 30, 2008
Total interest income	\$ 1,812	\$ 20,953	\$ 211,625
Net loss before extraordinary items	(1,195,704)	(1,403,026)	(2,754,498)
Net loss from operations	(1,195,704)	(1,403,026)	(2,754,498)
Basic and diluted loss per share	(0.02)	(0.03)	(0.05)

Total assets	20,498,301	18,700,624	18,622,142
Total long-term liabilities	3,983,389	3,791,389	4,016,388

3. **Results of Operations**

During the six months ended March 31, 2011 the Company had a net loss of \$424,429 (2010 - \$324,686). Significant expenses during the period were as follows:

- **Amortization** - \$14,793 (2010 - \$Nil) increased due to a change in accounting procedure to record amortization during the year.
- **Consulting** - \$30,207 (2010 - \$29,031)
- **Flow-through Part XII.6 tax, penalties** - \$11,463 (2010 - \$1,125)
- **Insurance, licenses and dues** - \$38,805 (2010 - \$33,735). The increase is not considered material by management.
- **Office and general** - \$24,649 (2010 - \$61,828) .
- **Professional fees** - \$19,292 (2010 - \$47,493).
- **Stock based compensation** - \$118,000 (2010 - \$Nil)
- **Salaries and benefits expense** - \$118,345 (2010 - \$97,638). The increase is due mainly to the hiring of consultants that were previously recorded in consulting fees.

4. Summary of Quarterly Results

	For the Quarters Ended			
	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Total assets	\$ 24,369,945	\$ 23,778,960	\$ 20,498,301	\$20,385,505
Working capital (deficiency)	922,695	1,849,454	(798,112)	704
Shareholders' equity	18,990,513	18,299,679	15,668,300	16,151,051
Net income (loss)	(252,323)	(172,106)	(732,859)	(138,160)
Earnings (loss) per share	(0.003)	(0.002)	(0.020)	(0.006)

	For the Quarters Ended			
	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Total assets	\$ 19,245,915	\$ 19,408,496	\$ 18,700,624	\$20,283,311
Working capital (deficiency)	(414,100)	(33,958)	(575,443)	(730,151)
Shareholders' equity	14,880,808	14,975,861	14,143,714	15,143,714
Net income (loss)	(142,941)	(181,744)	(208,070)	145,004)
Earnings (loss) per share	(0.002)	(0.003)	(0.003)	0.003

5. Fourth Quarter Results

Not applicable

6. Liquidity

The Company's historical capital needs have been met by issuance of shares. As at March 31, 2011, the Company's working capital was \$922,695 (September 30, 2010 – \$798,112 Deficit). The Company proposes to use the working capital for the continued operations and will meet any additional financing requirements through equity financing.

The Company's cash position as at March 31, 2011 was \$1,161,941 (September 30, 2010 - \$300). The increase in cash resulted from:

1. an increase from financing activities of \$4,183,668, from net proceeds of share issuances \$4,513,113 less repayment to related parties of \$134,056 and repayment of cheques issued in excess of funds on hand of \$196,346
2. use of cash in operating activities of \$680,218 from loss for the period of \$424,429 plus adjustments for non-cash items included in the loss of \$146,491 plus change in non-cash working capital items of \$402,280, and
3. use of cash in investing activities of \$2,341,809, incurred as exploration expenditures of \$2,307,828 and purchase of capital assets of \$33,981.

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 sufficient funds to complete the exploration program currently being undertaken.

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.

7. 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 March 31, 2011 was 107,561,472 (September 30, 2010 – 82,753,162).

During the year ended September 30, 2010, the Company completed the following share issuance transactions.

- i. 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 \$283,100, 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 – 64%; Expected term – 1.3 years; Risk-free rate of return – 1.39% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling \$147,545, including finders' fees of \$71,741, corporate finance fees of \$20,000, legal and filing fees of \$16,804 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 \$39,000, 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 – 70%; Expected term – 1.5 years; Risk-free rate of return – 1.39% 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 \$204,500, 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 – 1.57% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling \$121,432, 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 \$27,000, 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 – 66%; Expected term – 1.5 years; Risk-free rate of return – 1.57% 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 \$260,500, was credited to contributed surplus. The fair value was determined using the Black-Scholes option pricing model using the following: Share price volatility – 77%; Expected term – 2 years; Risk-free rate of return – 1.69% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling \$186,725, including finders' fees of \$102,000, legal and filing fees of \$26,725 and issued 485,714 agent'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 \$58,000, 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 – 77%; Expected term – 2 years; Risk-free rate of return – 1.69% and Expected dividend yield – 0%.

- (iv) Throughout the period 400,294 stock options have been exercised for total cash proceeds of \$67,094 and 8,707,200 warrants have been exercised for total cash proceeds of \$1,487,720. On exercise of stock options and warrants the value of the exercised securities when issued, originally credited to contributed surplus (stock options - \$44,192; warrants - \$468,329), is credited to share capital and debited to contributed surplus.

As at March 31, 2011, the Company had 35,828,562 warrants outstanding.

A summary of the Company's outstanding share purchase warrants at March 31, 2011 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted Average Exercise price
Balance, September 30, 2009	10,031,460	\$0.46
Warrants issued	24,537,134	\$0.15
Warrants expired	(4,393,995)	\$1.75
Balance, September 30, 2010	30,174,599 ⁽¹⁾	\$0.17
Warrants issued ⁽²⁾	14,114,737	\$0.31
Warrants expired	(253,574)	\$0.35
Warrants exercised ⁽³⁾	(8,207,200)	\$0.18
Balance, March 31, 2011	35,828,562 ⁽⁴⁾	\$ 0.15

(1) Warrants outstanding include 477,465 warrants contingently issuable pursuant to agent's unit options.

(2) Warrants issued include 242,857 warrants contingently issuable pursuant to agent's unit options issued during the period. The contingently issuable warrants are exercisable at \$0.50 per share.

(3) Warrants exercised include 235,294 warrants which were contingently issuable pursuant to agents' unit options. During the period certain of the agents' unit options were exercised and the warrants were issued and exercised concurrent with the terms exercise of the unit options.

(4) Warrants outstanding include 485,028 warrants contingently issuable pursuant to agent's unit options

During the period ended March 31, 2011 the Company issued 14,114,737 share purchase warrants as part of unit offerings, as described in detail in Notes 5(b) and 5(d). Based on the estimated fair value of the warrants at their issue dates, the Company recorded \$748,100 as an increase in contributed surplus and a reduction of share capital. The fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions: Risk free rate of return - 1.57%; Expected share price volatility – 70%; Expected life of the options – 1.5 years; and Expected dividend yield – 0%.

The warrants are exercisable as follows:

Number of Shares	Exercise Price	Expiry Date
41,500	\$0.12	June 16, 2011
3,027,131	\$0.15	June 24, 2011
2,993,749	\$0.12	June 30, 2011
118,500	\$0.12	August 2, 2011
1,602,561	\$0.30	August 21, 2011
2,436,750	\$0.25	October 2, 2011
2,270,000	\$0.25	November 10, 2011
7,074,999	\$0.16/0.25	May 11, 2011 / November 14, 2011

550,000	\$0.16/0.25	June 14, 2011 /December 14, 2011
1,118,452	\$0.12 to 0.15	December 22, 2011
187,302	\$0.12 to 0.15	January 12, 2012
384,295	\$0.12	February 2, 2012
3,811,272	\$0.25	April 1, 2012
2,064,524	\$0.25	May 10, 2012
4,211,082	\$0.16/0.25	May 14, 2011 / May 14, 2012
326,417	\$0.16/0.25	June 16, 2011 / June 16, 2012
242,171 ⁽¹⁾	\$0.15	June 30, 2012
3,125,000	\$0.50	November 30, 2012
242,857 ⁽¹⁾	\$0.50	November 30, 2012
<u>35,828,562</u>		

(1) Contingently issuable as a component of Agent Unit Options

As at March 31, 2011, the Company had 6,303,400 options outstanding.

Effective December 2010, the Company adopted the Amended Stock Option Plan (“the Plan”) which is pursuant to the policies of the TSX Venture Exchange (“VSX-V”). The Company may grant incentive stock options to its officers, employees and consultants. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 7.5% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual. The exercise price of stock options is determined by the Board of Directors of the Company at the time of grant and may not be less than the average allowable discount from the last closing price of the Company’s shares immediately preceding the time the option is granted and publicly announced.

During the period ended March 31, 2011 the Company granted 400,000 incentive stock options to a director. The options vested immediately and are exercisable for five years at \$0.42 per share. Based on the estimated fair value of the options at their grant dates, the Company recorded stock-based compensation expense of \$118,000 for these options in the statement of operations. The fair value of the options granted was estimated using the Black-Scholes Option Pricing Model using the following assumptions: Risk free rate of return - 2.38%; Expected share price volatility – 89%; Expected life of the options – 5 years; and Expected dividend yield – 0%.

The following table summarizes information about stock option transactions:

	Number	Weighted Average Exercise Price
Balance, September 30, 2009	3,153,400	\$0.18
Options expired / cancelled	(869,400)	\$0.21
Options granted	3,784,400	\$0.20
Balance, September 30, 2010	6,068,400	\$0.19
Options exercised	(165,000)	\$0.19
Options granted	400,000	\$0.42
Balance, March 31, 2011	<u>6,303,400</u>	<u>\$0.20</u>

Stock options outstanding at March 31, 2011 are as follows:

Number of Options	Weighted Average Exercise Price	Expiry Date
50,000	\$0.17	December 20, 2011
140,000	\$0.17	February 02, 2012
170,000	\$0.17	May 06, 2013
1,824,000	\$0.17	March 23, 2014
200,000	\$0.17	May 15, 2014
3,519,400	\$0.20	September 3, 2015
400,000	\$0.42	February 24, 2016
<u>6,303,400</u>	<u>\$0.20</u>	

As at March 31, 2011, the Company had 727,885 agent’s unit options outstanding.

As part of agents’ commission for brokered private placements the Company has issued 485,714 options to acquire units comprised of shares and warrants. The fair value of agent options granted in connection with finder fees were estimated using the Black-Scholes option pricing model using the following assumptions: Risk free rate of return - 1.69%; Expected share price volatility – 77%; Expected life of the options – 2 years; and Expected dividend yield – 0%.

A summary of the Company's outstanding agent's options to purchase units at March 31, 2011 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted Average Exercise price
Balance, September 30, 2009	235,294	\$0.15
Unit options granted	242,171	\$0.12
Balance, September 30, 2010	477,465	\$0.13
Unit options exercised	(235,294)	\$0.15
Unit options granted	485,714	\$0.28
Balance, March 31, 2011	727,885	\$ 0.20.

The following options to acquire units were outstanding at March 31 2011:

Number of Shares	Exercise Price	Expiry Date
242,171 ⁽¹⁾	\$0.12	June 30, 2012
485,714 ⁽²⁾	\$0.28	November 30, 2012
<u>727,885</u>		

(1) Each unit is comprised of one common share and one share purchase warrant entitling the holder to purchase one common share at an exercisable price of \$0.15 until June 30, 2012. The share purchase warrants have not been valued as the contingent equity instrument is based on a contingent event which could not be practically determined. These share purchase warrants are included in Note 5(d) summary as they are potentially anti-dilutive.

(2) Each unit is comprised of one common share and one-half share purchase warrant entitling the holder to purchase one common share at an exercisable price of \$0.50 until November 30, 2012. The share purchase warrants have not been valued as the contingent equity instrument is based on a contingent event which could not be practically determined. These share purchase warrants are included in Note 5(d) summary as they are potentially anti-dilutive.

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.

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 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, 2010.

8. Related Party Transactions

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

	March 31, 2011	September 30, 2010
Included in Property Exploration Costs		
Equipment rental	\$ 176,160	\$ 211,275
Shop rent	36,000	112,000
Contractor's fees	139,760	166,100
Field supervision	48,000	96,000
	<u>\$ 399,920</u>	<u>\$ 585,375</u>
	March 31, 2011	March 31, 2010
Included in Operations		
Management fees	\$ 12,000	\$ 24,000
Rent	7,200	14,400
	<u>\$ 19,200</u>	<u>\$ 38,400</u>

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

As at March 31, 2011 the Company owned \$1,344 (September 30, 2011 - \$135,400). The amounts are due to a director for reimbursement of expenses, is repayable on demand without interest or fixed terms of repayment

9. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

10. 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.

11. 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 March 31, 2011 has accumulated losses of \$13,519,104 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.

12. Changes in Accounting Policies, including initial adoption

Subsequent to September 30, 2010, 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.

13. **Disclosure Control and Procedures**

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.

Exploration and Development - 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 of 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.

Title Risks - 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.

Fluctuating Metal Prices - 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.

14. Approval

The Board of Directors of GWR Resources Inc. has approved the disclosures contained in the Management Discussion and Analysis for the six months ended March 31, 2011, prepared as at May 30, 2011.