May 12, 2015

To Our Shareholders:

GWR Global Water Resources Corp. ("**GWRC**") is pleased to present our management's discussion and analysis, along with management's discussion and analysis of Global Water Resources, Inc. ("**GWRI**"), for the three months ended March 31, 2015. Because GWRI represents the sole asset of GWRC and is not consolidated into the financial statements of GWRC, management's discussion and analysis of GWRI for the three months ended March 31, 2015 is filed together with management's discussion and analysis of GWRC.

On behalf of the Board of Directors, management and employees of GWRC and GWRI, I thank you for your ongoing support.

Warm regards,



Mike Liebman
Chief Financial Officer and Corporate Secretary

21410 North 19th Avenue, Suite 220, Phoenix, Arizona 85027

Phn 623.580.9600
Fax 623.580.9659

gwresources.com

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
GWR GLOBAL WATER RESOURCES CORP.

The following management's discussion and analysis of GWR Global Water Resources Corp.'s (the "Company", "GWRC", "we", or "us") financial condition and results of operations dated May 12, 2015 relates to the three months ended March 31, 2015 and 2014 and should be read together with our unaudited interim financial statements and related notes as of and for the three months ended March 31, 2015 and 2014. Investors should also refer to the 2014 audited financial statements and the accompanying notes of GWRC as well as the consolidated financial statements and accompanying notes and the management's discussion and analysis of Global Water Resources, Inc. ("GWRI") and the Company's current annual information form, all of which are available on the Company's SEDAR profile at www.sedar.com. Financial information of GWRI is not consolidated with the financial statements of GWRC.

Basis of Presentation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles of the United States ("U.S. GAAP") and, except where otherwise indicated, are presented in U.S. dollars. Unless otherwise indicated, the financial information contained in this management's discussion and analysis has been prepared in accordance with U.S. GAAP and is expressed in U.S. dollars. References to "C$" are to Canadian dollars.

In February 2008, the Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) confirmed that publicly accountable enterprises would be required to convert to International Financial Reporting Standards (IFRS) in place of Canadian generally accepted accounting principles for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

In September 2010, the AcSB decided to offer an optional one year deferral for converting to IFRS for qualifying entities with rate regulated activities and permit such entities to continue to apply Part V – Pre-changeover accounting standards of the CICA Handbook during that period. The Company is a qualifying entity for purposes of this deferral which we elected.

During 2011, we applied for, and in July 2011 received, an exemption from the Ontario Securities Commission (OSC) allowing the Company and GWRI to adopt U.S. GAAP and defer their conversion to IFRS until financial years beginning on or after January 1, 2015. Accordingly, effective January 1, 2012, we converted to U.S. GAAP.

In June 2014, we were granted an extension of the exemption previously received from the OSC. The extended exemption allows the Company and GWRI to defer the conversion to IFRS until the earliest of: (a) January 1, 2019; (b) if GWRC or GWRI, as applicable, ceases to have activities subject to rate regulation, the first day of the financial year of GWRC or GWRI, respectively, that commences after GWRC or GWRI, respectively, ceases to have activities subject to rate regulation; and (c) the effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within IFRS specific to entities with rate-regulated activities.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this management's discussion and analysis are forward-looking in nature and may constitute "forward-looking information" within the meaning of applicable securities laws. Often, but not always, forward-looking statements can be identified by the words "believes", "anticipates", "plans", "expects", "intends", "projects", "estimates", "objective" and similar expressions. These forward-looking statements reflect management's current expectations regarding GWRC's and GWRI's future growth, results of operations, performance and business prospects and opportunities and other future events and speak only as of the date of this management's discussion and analysis. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily

be accurate indications of whether or not or the times at or by which such performance or results will be achieved. Investors are cautioned not to place undue reliance on forward-looking information. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors" in GWRC's most recent Annual Information Form, which is available on SEDAR at www.sedar.com. Although the forward-looking statements contained in this management's discussion and analysis are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this management's discussion and analysis and neither GWRC nor GWRI assume any obligation to update or revise them to reflect new events or circumstances, except as required by applicable law.

Executive Overview

General – The Company was incorporated under the *Business Corporations Act* (British Columbia) on March 23, 2010 to acquire shares of GWRI, a corporation incorporated in the State of Delaware of the United States of America, and to actively participate in the management, business and operations of GWRI through its representation on the board of GWRI and its shared management with GWRI. The formation of GWRI occurred on December 30, 2010 through a reorganization of Global Water Resources, LLC and its subsidiaries and Global Water Management, LLC (the predecessors of GWRI).

GWRI operates in the Western United States as a water resource management company that owns and operates regulated water, wastewater and recycled water utilities in strategically located communities, principally in metropolitan Phoenix, Arizona. GWRI's model focuses on the broad issues of water supply and scarcity and applies principles of water conservation through water reclamation and reuse. The basic premise of GWRI's business is that the world's water supply is limited and yet can be stretched significantly through effective planning, the use of recycled water and by providing individuals and communities resources that promote wise water usage practices. GWRI deploys its integrated approach, Total Water Management (''TWM''), a term which it uses to mean managing the entire water cycle, both to conserve water and to maximize its total economic and social value. GWRI uses TWM to promote sustainable communities in areas where GWRI expects growth to outpace the existing potable water supply.

GWRI historically operated an unregulated business through its former subsidiary Global Water Management, LLC ("GWM"), whose services were marketed by GWRI as FATHOM Utility-to-Utility Solutions ("FATHOM"). FATHOM offers an integrated suite of advanced technology-enabled platforms to provide third party services to municipalities and private utilities. On June 5, 2013, GWRI sold a majority interest in the FATHOM business.

On December 30, 2010, the Company completed its initial public offering of 8,185,000 common shares (the "Offering") at C$7.50 per share for gross proceeds totaling C$61,387,500. The Company used the net proceeds of the Offering to acquire 81,850 shares of GWRI common stock. On January 28, 2011, the underwriters of the Offering exercised their over-allotment option and purchased an additional 569,611 common shares at C$7.50 per share. Net proceeds from the exercise of the over-allotment option, after taking into account underwriters' commissions and issuance costs of $262,000, were $4,011,000. The net proceeds of the over-allotment were used to purchase 5,696 shares of GWRI's common stock, increasing the Company's ownership interest in GWRI to approximately 48.1%.

Results of operations for the three months ended March 31, 2015 and 2014 –The following table summarizes GWRC's results of operations for the three months ended March 31, 2015 and 2014 (in thousands of US$, except per share amounts).

	Three Months Ended March 31,	
	2015	2014
Gain (loss) from equity investment	$ (440)	$ 31,876
Operating expenses	234	146
Operating income (loss)	(674)	31,730
Income (loss) before income taxes	(674)	31,730
Income tax benefit (expense)	113	(1,837)
Net income (loss)	$ (561)	$ 29,893
Earnings (loss) per share	$ (0.06)	$ 3.41
Diluted earnings (loss) per share	$ (0.06)	$ 3.41
Loss per share, excluding the gain on GWRI's regulatory order and the effect of the reversal of GWRI's valuation allowance	$ (0.06)	$ (0.26)

Gain (loss) from Equity Investment – Gain (loss) from equity investment totaled a loss of $440,000 and a gain of $31.9 million for the three months ended March 31, 2015 and 2014, respectively. The gain (loss) from equity investment represents the portion of GWRI's net income (loss) attributed to the equity method investment during the period. The amount is calculated based on GWRI's net income (loss) for the three months ended March 31, 2015 and 2014, multiplied by GWRC's 48.1% equity interest in GWRI. The gain from equity investment for the three months ended March 31, 2014 primarily reflects the Company recording its proportionate share of GWRI's $50.7 million gain on regulatory order and GWRI's $16.1 million deferred tax valuation allowance reversal. For a discussion of GWRI's results of operations, please see GWRI's management's discussion and analysis, which is available on the Company's SEDAR profile at www.sedar.com.

We evaluate our investment in GWRI for impairment whenever events or changes in circumstances indicate that the carrying value of our investment may have experienced an "other-than-temporary" decline in value. Through December 31, 2014, GWRI's results of operations were below GWRI's previous forecasts, primarily due to slower than expected growth. This combined with the lower trading price of our stock relative to the price at the Offering warranted a review of the carrying value of our investment in GWRI for impairment. Accordingly, we performed a valuation assessment during 2014 and concluded that an impairment of the investment in GWRI did not exist as of December 31, 2014.

Since the date of the Offering through December 31, 2013, GWRC recorded significant equity investment losses as a result of losses generated by GWRI. However, in February 2014, GWRI completed the regulatory rate case which was initiated by GWRI's utility companies in 2011. The regulatory rate case provides, among other things, additional revenues to GWRI which will be phased-in over time. As of March 31, 2014, GWRI evaluated the impact of the rate case decision, including whether sufficient evidence exists that GWRI's net deferred tax assets would be utilized in the future, thus allowing the reversal of the valuation allowance currently recorded at GWRI. With the exception of the phase-in of new rates to be charged to GWRI's utility customers, the impact of the rate decision was effective for GWRI in the first quarter of 2014. The impact of the rate decision, combined with the effect of reversing the valuation allowance, resulted in approximately $66.8 million of additional income in GWRI's financial statements for the three months ended March 31, 2014. As a result of GWRC's 48.1% interest in GWRI, GWRC recorded $32.1 million of equity method earnings for the three months ended March 31, 2014, which had the effect of significantly increasing the carrying value of GWRC's investment in GWRI. The Company performed an analysis comparing the carrying value of GWRC's investment in GWRI with its estimated fair value, and we concluded that an impairment of the

investment did not exist as of December 31, 2014. However, this analysis is sensitive to management assumptions including forecasted results of GWRI and as a result, changes in these assumptions could have a material impact on the analysis.

Operating Expenses – Operating expenses for the three months ended March 31, 2015 and 2014 consisted primarily of (i) compensation provided to the independent members of the Company's board of directors; (ii) accounting and legal fees; (iii) directors' and officers' insurance; (iv) listing fees; and (v) other costs directly associated with operating as a publicly traded company.

Net Income (Loss) – Net income (loss) was determined by deducting operating and income tax expenses from gain (loss) from equity investment income. For the three months ended March 31, 2015 and 2014, the Company experienced net loss of $561,000 and net income of $29.9 million, respectively. Net income for the three months ended March 31, 2014 primarily reflects GWRC's 48.1% portion of (i) a nonrecurring gain of $50.7 million recognized by GWRI upon receipt of a regulatory order from GWRI's economic regulator, and (ii) GWRI's release of its deferred income tax valuation allowance of $16.1 million during the 2014 period. Excluding these items, the Company experienced a loss of $2.2 million for the three months ended March 31, 2014. The reduction in the Company's 2015 loss compared to the adjusted loss in 2014 was primarily driven by the $1.8 million of income tax expense recorded in 2014 related to an increase in book value of our investment in GWRI, which was caused by the gain on regulatory order and related release of income tax valuation allowance.

The following table sets forth unaudited financial data for the last eight quarters ended March 31, 2015 (in thousands of US$). This financial information has been derived from the unaudited financial statements prepared by, and is the responsibility of, the Company's management.

	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
GAIN (LOSS) FROM EQUITY INVESTMENT	$ (440)	$ (403)	$ (13)	$ (235)	$ 31,876	$ 66	$ 318	$ (2,399)
OPERATING EXPENSES	234	127	131	262	146	59	113	17
OPERATING INCOME (LOSS)	(674)	(530)	(144)	(497)	31,730	7	205	(2,416)
INCOME (LOSS) BEFORE INCOME TAXES	(674)	(530)	(144)	(497)	31,730	7	205	(2,416)
INCOME TAX BENEFIT (EXPENSE)	113	110	(250)	311	(1,837)	—	—	—
NET INCOME (LOSS)	$ (561)	$ (420)	$ (394)	$ (186)	$ 29,893	$ 7	$ 205	$ (2,416)
EARNINGS (LOSS) PER SHARE	$ (0.06)	$ (0.05)	$ (0.04)	$ (0.02)	$ 3.41	$ —	$ 0.03	$ (0.28)
DILUTED EARNINGS (LOSS) PER SHARE	$ (0.06)	$ (0.05)	$ (0.04)	$ (0.02)	$ 3.41	$ —	$ 0.03	$ (0.28)
LOSS PER SHARE, EXCLUDING GWRI'S GAIN ON REGULATORY ORDER, REVERSAL OF TAX VALUATION ALLOWANCE, SNR LITIGATION PROCEEDS AND LOSS ON SALE OF FATHOM	$ (0.06)	$ (0.05)	$ (0.04)	$ (0.02)	$ (0.26)	$ (0.07)	$ (0.09)	$ (0.17)

Outstanding Share Data

As of May 12, 2015, there were 8,754,612 common shares of the Company outstanding and options to acquire an additional 269,227 common shares of GWRC.

On May 11, 2015, GWRC received approval from the Toronto Stock Exchange ("TSX") to repurchase, for cancellation, common shares of the Company pursuant to a normal course issuer bid ("NCIB"). The NCIB enables GWRC to repurchase up to 87,500 common shares, representing approximately 1% of the Company's 8,754,612 issued and outstanding common shares as of May 5, 2015. The NCIB will commence on May 13, 2015 and will terminate on May 12, 2016. Except as permitted under TSX rules, daily purchases will be limited to a maximum of 3,239 common shares

other than block purchase exemptions, which represents 25% of the average daily trading volume on the TSX for the six months ended April 30, 2015. All purchases under the NCIB will be made on the open market through the facilities of the TSX by a participating organization. The actual number of shares to be purchased and the timing of such purchases will be determined by the Company considering market conditions, stock prices, its cash position and other factors.

Liquidity and Capital Resources

We are economically dependent on GWRI. Our ability to service operating costs and pay distributions (if any) is entirely dependent on the receipt of distributions, or loans, from GWRI. Significant events affecting or transactions involving GWRI could materially influence our ability to make such payments.

We do not carry on any active business operations as our activities are generally restricted to holding securities of our equity investee, GWRI. To date, we have not incurred debt to finance our investments. Therefore, our capital structure is composed solely of our shareholders' equity.

To date, capital resources have been provided from equity financing, and there were no cash flows of the Company for the three months ended March 31, 2015 and 2014, respectively, with the exception of certain cash advances from GWRI and dividends which are discussed below. GWRI funded the operating expenses incurred by the Company through March 31, 2015. See Notes 3 and 6 to GWRC's financial statements for the three months ended March 31, 2015.

In March 2014, the Company initiated a dividend program wherein we have declare and pay a monthly dividend. The initial monthly dividends were approximately C$0.022 per share. In November 2014, the Company increased the monthly dividend to approximately C$0.024 per share. In March 2015, the Company further increased the monthly dividend to approximately C$0.026 per share. The Company expects that monthly dividends of similar amounts will be declared and paid for the foreseeable future. Nevertheless, the ability of the Company to maintain its dividend program is dependent upon GWRI making distributions to the Company

Insurance Coverage

As we do not carry on any active business operation, the Company does not carry insurance coverage other than a $15,000,000 Directors' and Officers' Liability insurance policy. GWRI carries financial insurance policies with limits, deductibles and exclusions consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims.

Contractual Obligations and Commitments

GWRC had no significant contractual obligations or commitments with third parties as of March 31, 2015.

Quantitative and Qualitative Disclosure about Market Risk

Through its equity interest in GWRI, the Company is indirectly exposed to market risk associated with changes in interest rates and with price increases for chemicals, electricity and labor that affect the business of GWRI. However, the potential for an increase is mitigated by GWRI's ability to recover its costs through rate increases to its customers as well as the fact that it holds fixed-rate debt.

The Company's future performance and financial condition involves a number of risks and uncertainties. Any of these risks and uncertainties could have a material adverse effect on the results of operations, business prospects and financial condition of GWRI, the Company or the market price or value of the Company's common shares. These risks are discussed in the Company's most recent Annual Information Form, which is available on SEDAR at www.sedar.com.

Related Party Transactions

Except for the Chief Executive Officer and Chief Financial Officer (who receive no compensation from the Company in connection with their roles), we have no employees and the management and general administration services for our business and affairs are provided by GWRI pursuant to a management agreement. Services provided by GWRI are provided at no charge to the Company.

The management agreement may be terminated (i) by the Company, in its sole discretion, by notice in writing to GWRI at least 30 days prior to the effective date of termination; (ii) by either party in the event of the termination of the existence of the Company or the insolvency, receivership or bankruptcy of GWRI, or in the case of default by the other party in the performance of a material obligation under the management agreement which is not remedied within 30 days after notice thereof has been delivered to the defaulting party; and (iii) if the Company no longer holds voting securities of GWRI.

For a description of the specific services provided by GWRI to the Company under the management agreement, please refer to the management agreement, a copy of which has been filed on SEDAR at www.sedar.com.

Stock option grant to employees of GWRI – In January 2012, the Company's Board of Directors granted 385,697 options to acquire GWRC common stock to nine employees of GWRI pursuant to the GWR Global Water Resources Corp. Stock Option Plan (the "Option Plan"). The options vested in equal installments over the eight quarters of 2012 and 2013 and expired four years after the date of issuance. We accounted for the option grant in accordance with FASB's Accounting Standards Codification ("ASC") 323, *Investment-Equity Method & Joint Ventures*. At December 31, 2012, the estimated fair value of the unvested options was $33,000 based on a Black-Scholes pricing model. The options were initially measured on June 30, 2012, the first period-end following the date when the Option Plan received shareholder approval. The Company remeasured the fair value of the award at the end of each period until the options became fully vested on December 31, 2013.

Due to attrition and the sale of FATHOM, certain former employees of GWRI forfeited their stock options. The number of stock options forfeited totaled 116,470, resulting in stock options of 269,227 outstanding at March 31, 2015 and December 31, 2014.

Critical Accounting Policies and Estimates

The application of critical accounting policies is particularly important to GWRC's financial condition and results of operations and provides a framework for management to make significant estimates, assumptions and other judgments. Additionally, GWRC's financial condition, results of operations and cash flow are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. Although GWRC's management believes that these estimates, assumptions and other judgments are appropriate, they relate to matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and other judgments applied to these accounting policies could have a significant impact on GWRC's financial condition and results of operations as reflected in GWRC's financial statements.

A summary of GWRC's significant accounting policies used in the preparation of its financial statements appears in Note 2 of GWRC's financial statements for the three months ended March 31, 2015. GWRC has identified policies related to the application of the equity method to its investment in GWRI and its assessment of impairment of such investment as critical to its business operations and the understanding of its results of operations. Management has reviewed those critical accounting policies and the associated estimates and assumptions.

Additionally, as indicated above, effective January 1, 2012, the Company and GWRI prepare their financial statements in accordance with U.S. GAAP. See also Note 1 to GWRC's financial statements for the three months ended March 31, 2015.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period beginning on January 1, 2015 and ended on March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Other Required Disclosures

Additional information relating to GWRC, including the Company's Annual Information Form, has been filed on SEDAR at www.sedar.com.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
GLOBAL WATER RESOURCES, INC.

The following management's discussion and analysis of Global Water Resources, Inc.'s (the "Company", "GWRI", "we", or "us") financial condition and results of operations dated May 12, 2015 relates to the three months ended March 31, 2015 and 2014 and should be read together with our unaudited interim consolidated financial statements and related notes as of and for the three months ended March 31, 2015. Investors should also refer to the 2014 audited consolidated financial statements and accompanying notes of GWRI as well as GWR Global Water Resources Corp.'s ("GWRC") financial statements and associated management's discussion and analysis and current annual information form, all of which are available on GWRC's SEDAR profile at www.sedar.com. Financial information of GWRC is not consolidated with financial information of GWRI.

Basis of Presentation

The financial statements of Global Water Resources, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and, except where otherwise indicated, are presented in U.S. dollars. Unless otherwise indicated, the financial information contained in this management's discussion and analysis has been prepared in accordance with U.S. GAAP and is expressed in U.S. dollars and references to "$", "US$" and "dollars" are to U.S. dollars. References to "C$" are to Canadian dollars.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this management's discussion and analysis are forward-looking in nature and may constitute "forward-looking information" within the meaning of applicable securities laws. Often, but not always, forward-looking statements can be identified by the words "believes", "anticipates", "plans", "expects", "intends", "projects", "estimates", "objective", "goal", "focus", "aim" and similar expressions. These forward-looking statements include future estimates described in "Population and Community Growth" and "Infrastructure Investment", and expectations of future liquidity in "Liquidity and Capital Resources", and of future market risk in "Quantitative and Qualitative Disclosure about Market Risk". These forward-looking statements reflect management's current expectations regarding the GWRC's and GWRI's future growth, results of operations, performance and business prospects and opportunities and other future events and speak only as of the date of this management's discussion and analysis. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. Investors are cautioned not to place undue reliance on forward-looking information. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors" in GWRC's most recent Annual Information Form, which is available on GWRC's SEDAR profile at www.sedar.com. Although the forward-looking statements contained in this management's discussion and analysis are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this management's discussion and analysis and neither GWRI nor GWRC assumes any obligation to update or revise them to reflect new events or circumstances, except as required by applicable law.

Cautionary Statement Regarding Non-GAAP Measures

This management's discussion and analysis contains references to "EBITDA". EBITDA is defined for the purposes of this management's discussion and analysis as net income or loss before interest, income taxes, depreciation and amortization. Management believes that EBITDA is a useful supplemental measure of GWRI's operating performance

and provides a meaningful measure of overall corporate performance exclusive of GWRI's capital structure and the method and timing of expenditures associated with building and placing GWRI's systems. EBITDA is also presented because management believes that it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance.

However, EBITDA is not a recognized earnings measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss or other income statement data (which are determined in accordance with U.S. GAAP) as an indicator of the performance of GWRI or as a measure of liquidity and cash flows. Management's method of calculating EBITDA may differ materially from the method used by other public companies and accordingly, may not be comparable to similarly titled measures used by other public companies. See "EBITDA and Adjusted EBITDA" for a reconciliation of EBITDA to net loss, the nearest comparable U.S. GAAP measure.

Overview

General – GWRI is a leading water resource management company, co-founded in Phoenix in 2003 by Chairman Trevor T. Hill and investor and Boardmember, William S. Levine. GWRI recognized that population growth and shrinking water supplies had the potential to overwhelm small, undercapitalized and under-engineered water utilities and that the Company's unique water management approach could have the potential to achieve local conservation objectives and maximize the economic value of water.

The basic premise of GWRI's business is that the world's water supply is limited and yet can be stretched significantly through effective planning, the use of recycled water and by providing individuals and communities resources that promote wise water usage practices. GWRI deploys its integrated approach, Total Water Management (''TWM''), a term which it uses to mean managing the entire water cycle, both to conserve water and to maximize its total economic and social value. GWRI uses TWM to promote sustainable communities in areas where GWRI expects growth to outpace the existing potable water supply. Until the sale of Global Water Management, LLC ("GWM" or "FATHOM"), GWRI's business had been comprised of two principal divisions: the Regulated business consisting of the Company's regulated utilities, and the Unregulated business consisting primarily of FATHOM Utility-to-Utility Solutions operations. Through its Regulated division, GWRI operates in the Western United States as a water resource management company that owns and operates regulated water, wastewater and recycled water utilities in strategically located communities, principally in metropolitan Phoenix, Arizona. GWRI's model focuses on the broad issues of water supply and scarcity and applies principles of water conservation through water reclamation and reuse.

The Company had 62 employees at March 31, 2015 compared to 61 employees at December 31, 2014 and 63 employees at March 31, 2014.

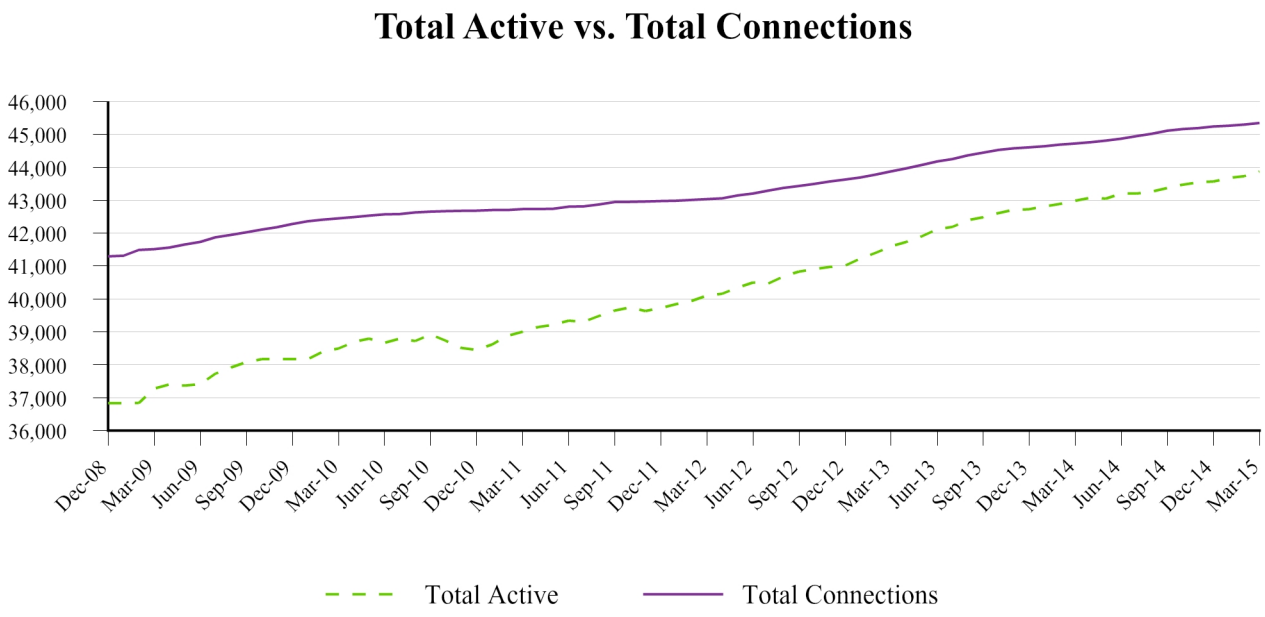
The Company provides drinking water, wastewater and other water related services to approximately 70,000 people in Arizona as of March 31, 2015. The Company owns water and wastewater utilities that provide water and wastewater services to residential, commercial and industrial customers. Our utilities that provide these services are subject to economic regulation by the state regulator, the Arizona Corporation Commission ("ACC"). The U.S. federal and state governments also regulate environmental, health and safety and water quality matters. GWRI's financial condition and results of operations are influenced by a variety of industry-wide factors, including but not limited to (i) economic and environmental utility regulation; (ii) economic environment; (iii) the need for infrastructure investment; (iv) an overall trend of declining water usage per customer; (v) weather and seasonality; and (vi) access to and quality of water supply.

Through March 31, 2015, we continued to execute on our strategy to optimize and focus the Company in order to provide greater value to our customers and shareholders by aiming to deliver predictable financial results, making prudent capital investments and focusing our efforts on earning an appropriate rate of return on our investments.

Population and Community Growth

Population and community growth in the metropolitan Phoenix area served by GWRI's utilities have a direct impact on the Company's earnings. An increase or decrease in GWRI's active service connections will affect its revenues and variable expenses in a corresponding manner.

As illustrated in the graph below, GWRI's total service connections, which include active service connections and connections to vacant homes, increased to 45,341 as of March 31, 2015 from 44,722 as of March 31, 2014. GWRI's active service connections increased by 882 to 43,866 as of March 31, 2015 compared to 42,984 as of March 31, 2014. The 298 increase in active service connections compared to 43,568 as of December 31, 2014 represents an annualized increase of 2.7%.



During the economic downturn beginning in 2008, GWRI's utilities experienced an increase in the number of vacant homes, reaching a peak of 4,647 vacant connections as of February 28, 2009, approximately 11.2% of our total connections at the time; however, the negative trend began to reverse thereafter with the number of vacant homes decreasing to 1,475 or 3.3% of total connections at March 31, 2015.

Business Outlook – 2014 and year-to-date 2015 continued the trend of positive growth in new connections as well as re-establishing service on existing previously vacant homes. According to the 2010 U.S. Census Data, the Phoenix metropolitan statistical area ("MSA") had a population of 4.2 million in 2010 and is the 14th largest MSA in the U.S., an increase of 29% over the 3.25 million people in the 2000 Census. Metropolitan Phoenix's growth data continues to improve due to its low-cost housing, excellent weather, large and growing universities, a diverse employment base and low taxes. The Office of Employment and Population Statistics of the Arizona Department of Administration (ADOA-EPS) predicts that Maricopa County will have a population of 4.5 million by 2020. During the first two months of 2015, Arizona's employment improved 2.7%, ranking the state in the top 14 nationally for job growth. Over the past twelve months Arizona's employment improved 2.8%. Among major metropolitan areas/cities, as of February 2015, Phoenix ranked number eleven with 12-month job gains of 3.3%. According to the University of Arizona's Economic & Business

Research Center, ADOA-EPS, and other statistical projections, employment, personal income and population will continue to grow in 2015.

Also, according to the W.P. Carey School of Business' Greater Phoenix Blue Chip Real Estate Consensus panel, most sectors of real estate are expected to continue to improve. After a decline to fewer than 6,800 units in 2011, single family housing permits bounced back to 11,615 units in 2012, and continued to climb in 2013 to 12,785 units. The Blue Chip consensus forecast indicated that permits for 2014 declined to approximately 11,800 units, down from a forecast of 14,100 units for the year 2014. However, the forecast for 2015 and 2016 remains positive at approximately 14,900 and 19,500 units, respectively. From there, growth in the region is expected to steadily return to its normal historical rate of greater than 30,000 Single Family Dwelling permits. Additionally, multifamily, office, retail, and industrial market vacancy rates continued to decline in 2014 compared to 2013 and are expected to continue to decline through 2016. Phoenix was one of the worst performing housing markets during the housing downturn, but home prices have risen on average approximately 12.9% per year over the past three years ending January 2015, according to the S&P/ Case-Shiller Phoenix Home Price Index.

GWRI believes that its acquired utilities and monopolistic service territories are directly in the anticipated path of growth primarily in the metropolitan Phoenix area. Market data indicates that the Company's service areas currently incorporate a large portion of the final platted lots, partially finished lots and finished lots in metropolitan Phoenix. Management believes that GWRI is well-positioned to benefit from the near-term growth in metropolitan Phoenix due to the availability of lots and existing infrastructure in place within GWRI's services areas.

Economic Utility Regulation

The ACC is charged with establishing rates based on the provision of reliable service at reasonable cost while also providing an opportunity to earn a fair rate of return on rate base for investors of utilities. The ACC uses a historical test year to evaluate whether the plant in service is used and useful, to assess whether costs were prudently incurred and to set "just and reasonable" rates. Rate base is the depreciated original cost of the plant in service (net of contributions in aid of construction ("CIAC") and advances in aid of construction ("AIAC")), that has been determined to have been "prudently invested" and "used and useful". The ACC also decides on an applicable capital structure based on actual or hypothetical analyses. The ACC determines a "fair rate of return" on that rate base which includes the actual cost of debt and an established return on equity. The overall revenue requirement for rate making purposes is established by multiplying the rate of return on rate base by the rate base, and adding "prudently" incurred operating expenses for the test year, depreciation and any applicable pro forma adjustments.

To ensure an optimal combination of access to water and water conservation balanced with a fair rate of return for investors, GWRI's water utility operating revenue is based on two components: a fixed fee and a consumption or volumetric fee. For GWRI's water utilities, the fixed fee, or "basic service charge", provides access to water for residential usage and has generally been set at a level to produce 47% to 60% of total revenue. The volumetric fee is based on the total volume of water supplied to a given customer after the minimum number of gallons, if any, covered by the basic service charge, multiplied by a price per gallon set by a tariff approved by the ACC. For all investor-owned water utilities, the ACC requires the establishment of inverted tier conservation oriented rates, meaning that the price of water increases as consumption increases. For wastewater utilities, wastewater collection and treatment can be based on volumetric or fixed fees. GWRI's wastewater utility services are billed based solely on a fixed fee, determined by the size of the water meter installed. Recycled water is sold on a volumetric basis with no fixed fee component.

To obtain approval for a change in rates, GWRI's utilities must file rate cases with the ACC. Rate cases and other rate-related proceedings can take a year or more to complete. As a result, there is frequently a delay, or regulatory lag, between the time of a capital investment or incurrence of an operating expense increase and when those costs are

reflected in rates. GWRI's rate case management program includes a proactive approach to rate design and management of rate case applications to mitigate the risk of regulatory lag. The Company routinely updates a rate model that reviews changes in current connection growth and expense structure combined with capital invested to determine the appropriate timing of filing for a rate increase. In normal conditions, it would not be uncommon to see the Company file for a rate increase every three years based on year one being the test year, year two being the rate case filing year and year three being the rate case award year. However, based on the recent settlement with the ACC (see next section for further details) and extended new rate phase-in period, the Company will not be initiating the next rate case on such a timeline.

Recent Rate Case Activities

On September 15, 2010, the ACC issued its rate decision (the "2010 Regulatory Rate Decision") for the rate cases filed in February 2009 for the following GWRI utilities: Santa Cruz Water Company ("Santa Cruz"), Palo Verde Utilities Company ("Palo Verde"), Valencia Water Company, Inc. ("Valencia"), Water Utility of Greater Buckeye ("Greater Buckeye"), Water Utility of Greater Tonopah ("Greater Tonopah") and Willow Valley Water Company ("Willow Valley"). The ACC established new rates for the utilities resulting in approximately $9.6 million of additional annual revenues retroactive to August 1, 2010, including a phase-in of rates for Palo Verde on January 1, 2011 and January 1, 2012. The ACC established new rates based on connections during the 2008 test year for the recovery of reasonable costs incurred by the utilities. Such rate changes increased rates for water and wastewater services for all but one of GWRI's utilities, Greater Tonopah (for which rates were reduced), resulting in an overall 47% increase over previous rates. For a discussion of the impacts of 2010 Regulatory Rate Decision, refer to Note 3 to GWRI's audited consolidated financial statements for the year ended December 31, 2011.

On July 11, 2012, we filed rate applications with the ACC to adjust the revenue requirements for seven utilities representing a collective rate increase of approximately 28% over 2011's revenue. In August 2013, the Company entered into a settlement agreement with ACC Staff, the Residential Utility Consumers Office, the City of Maricopa, and other parties to the rate case. The settlement required approval by the ACC's Commissioners before it could take effect. In February 2014, the rate case proceedings were completed and the ACC issued Rate Decision No. 74364, effectively approving the settlement agreement.

The rulings of the decision include, but are not limited to, the following:

- A collective revenue requirement increase of $4.3 million for the Company's utilities based on 2011 test year service connections, phased in over time, with the first increase in January 2015 as follows (in thousands of US$):

	Incremental	Cumulative
2015	$ 1,416	$ 1,416
2016	1,219	2,635
2017	335	2,970
2018	336	3,306
2019	335	3,641
2020	335	3,976
2021	335	4,311

  Whereas this phase-in of additional revenues was determined using a 2011 test year, to the extent that the number of active service connections increases from 2011 levels, the additional revenues may be greater than the amounts set forth above.

- Full reversal of the imputation of CIAC associated with funds previously received under Infrastructure Coordination and Financing Agreements ("ICFA"), as required in the Company's last rate case.

- The Company has agreed to not enter into any new ICFA agreements. Existing ICFAs will remain in place, but a portion (approximately 70%) of future payments to be received under the ICFAs will be considered as hook-up fees, which are accounted for as CIAC once expended on plant (i.e., hook-up fees will be recorded as a liability, but will only reduce rate base once such funds are expended on plant). The remaining approximate 30% of future ICFA payments will be recognized using the same income recognition accounting applied to ICFA funds already received, wherein such funds will be recorded as revenue or deferred revenue.
- A 9.5% return on common equity is adopted for rate making.
- None of the Company's utilities will file another rate application before May 31, 2016. GWRI's subsidiaries, Santa Cruz and Palo Verde may not file for another rate increase before May 31, 2017.

Rate Decision No. 74364 is a public document and is posted on the Company's website and at the ACC's eDocket website, http://edocket.azcc.gov under the docket number 12-0309.

Infrastructure Investment

Capital expenditures for infrastructure investment are a component of the rate base on which GWRI's regulated utility subsidiaries are allowed to earn an equity return. Capital expenditures for infrastructure provide a basis for earnings growth by expanding GWRI's "used and useful" rate base, which is a component of its permitted return on investment and revenue requirement. GWRI is generally able to recover a rate of return on these capital expenditures (return on equity and debt), together with debt service and certain operating costs, through the rates it charges.

GWRI has made significant capital investments in its territories within the last ten years and because the infrastructure is new, significant capital, either for growth or to maintain the existing infrastructure, is not expected to be required in the near term. GWRI estimates that capital expenditures of the Regulated business will total approximately $2.5 to $3.0 million annually over the next few years. Nevertheless, GWRI will repair and replace existing infrastructure as needed. Non-growth capital investments are needed on an ongoing basis to comply with existing and new regulations, to renew treatment and network assets as they age, to enhance system reliability, and to provide security and quality of service. The need for continuous investment can present a challenge due to the potential for regulatory lag described above.

Production and Treatment Costs

GWRI's water and wastewater services require significant production resources and therefore result in significant production costs. Although GWRI is permitted to recover these costs through the rates it charges, regulatory lag can decrease GWRI's margins and earnings if production costs or other operating expenses increase significantly before GWRI is able to recover them through increased rates. GWRI's most significant costs include labor, chemicals used to treat water and wastewater, and power, which is used to operate pumps and other equipment. Power and chemical costs can be volatile. However, GWRI employs a variety of technologies and methodologies to minimize costs and maximize operational efficiencies. For power alone, GWRI has been successful in offsetting the rise in power costs by vigilantly focusing on timing and duration of power requirements. Additionally, with GWRI's unique resources management approach, TWM, whereby we maximize the direct beneficial reuse of recycled water, there are significant treatment costs and power savings that can be realized due to the fact that smaller volumes of water are required for potable use. The old paradigm requires that all water be treated to potable standards irrespective of use. TWM focuses on the right water for the right use. Potable water is needed for consumption and recycled water is acceptable for non-potable uses such as irrigation and toilet flushing. Non-potable water does not need to be treated for commonly occurring and regulated constituents such as arsenic, or for other current or future human consumption health-based contaminant.

Weather and Seasonality

GWRI's water systems generally experience higher demand in the summer due to the warmer temperatures and increased usage by customers for irrigation and other outdoor uses. However, summer weather that is cooler or wetter than average generally suppresses customer water demand and can have a downward effect on GWRI's operating revenue and operating income. The limited geographic diversity of GWRI's service areas could make the results of GWRI's operations more sensitive to the effect of local weather extremes.

The second and third quarters of the year are generally those in which water services revenue and wastewater services revenue are highest. Accordingly, interim results should not be considered representative of the results of a full year.

Selected Financial Information

The following contains selected unaudited financial information of GWRI's financial position as of March 31, 2015 and December 31, 2014 (in thousands of US$):

	March 31, 2015	December 31, 2014
ASSETS:		
Net property, plant and equipment	$ 235,598	$ 240,424
Current assets	14,361	12,293
Other assets	54,795	54,884
Total Assets	$ 304,754	$ 307,601
LIABILITIES:		
Current liabilities	$ 13,962	$ 13,630
Noncurrent liabilities	265,347	266,291
Total Liabilities	279,309	279,921
SHAREHOLDERS' EQUITY (DEFICIT)	25,445	27,680
Total Liabilities and Shareholders' Equity	$ 304,754	$ 307,601

The following contains selected unaudited financial information of GWRI's results of operations for the three months ended March 31, 2015 and 2014 (in thousands of US$):

	Three Months Ended March 31,	
	2015	2014
Revenues	$ 7,622	$ 6,996
Operating expenses	6,847	(43,448)
Operating income	775	50,444
Total other income (expense)	(2,218)	(284)
Income (loss) before income taxes	(1,443)	50,160
Income tax benefit (expense)	528	16,125
Net income (loss)	$ (915)	$ 66,285

Comparison of Results of Operations for the three months ended March 31, 2015 and 2014

Revenues – The following table summarizes GWRI's revenues for the three months ended March 31, 2015 and 2014 (in thousands of US$).

	Three Months Ended March 31,	
	2015	2014
Water services	$ 3,893	$ 3,617
Wastewater and recycled water services	3,602	3,365
Unregulated revenues	127	14
Total revenues	$ 7,622	$ 6,996

Total revenues increased $626,000, or 8.9%, for the three months ended March 31, 2015 compared with the three months ended March 31, 2014, reflecting an increase in rates due to rate case decision No. 74364 in February 2014 combined with customer growth of approximately 2.1% quarter over quarter.

Water Services – Water services revenues increased $276,000, or 7.6%, to $3.9 million for the three months ended March 31, 2015 compared to $3.6 million for the three months ended March 31, 2014.

Active water connections increased 2.0% to 26,362 as of March 31, 2015 from 25,833 as of March 31, 2014. Water consumption decreased 3.7% to 493 million gallons for the three months ended March 31, 2015 from 512 million gallons for the three months ended March 31, 2014. However, water services revenue based on consumption increased 8.6% to $1.2 million from $1.1 million for the three months ended March 31, 2015 and 2014, respectively. Decrease in consumption was more than offset by rate increases and customer base increase compared to first quarter in 2014.

Water services revenue, excluding miscellaneous charges, associated with the basic service charge increased 7.9% to $2.6 million for the three months ended March 31, 2015 compared to $2.4 million for the three months ended March 31, 2014, reflecting growth in total active connections and increase from rate case.

Wastewater and Recycled Water Services – Wastewater and recycled water services revenues increased 7.0% to $3.6 million for the three months ended March 31, 2015 from $3.4 million for the three months ended March 31, 2014. The increase was primarily due to rate increases combined with the increase in number of active connections, which increased 2.1% to 17,504 as of March 31, 2015 from 17,151 as of March 31, 2014.

Wastewater revenue, excluding miscellaneous charges, which is billed and recognized at a flat rate per connection, increased 6.7% quarter over quarter and totaled $3.5 million for the three months ended March 31, 2015 compared to $3.3 million for the three months ended March 31, 2014.

Recycled water revenue, which is based on the number of gallons delivered, increased $20,000, or 44.4%, to $65,000 for the three months ended March 31, 2015 compared to $45,000 for the three months ended March 31, 2014. Recycled water revenue increase was a function of an increase in recycled water consumption combined with a 40% rate increase effective January 1, 2015 compared to 2014 rates. The volume of recycled water delivered increased 6.3% to 81.2 million gallons for the three months ended March 31, 2015 from 76.4 million gallons for the three months ended March 31, 2014.

Unregulated Revenues – Unregulated revenues totaled $127,000 for the three months ended March 31, 2015 compared to $14,000 for the three months ended March 31, 2014, representing an increase of $113,000. The increase in revenue was driven by ICFA-related imputed revenue recognition resulting from our Memorandum of Understanding with the City of Maricopa starting April 2014. No such revenue was recognized in the first quarter of 2014.

Operating Expenses – Operating expenses increased $50.3 million for the three months ended March 31, 2015 compared to the three months ended March 31, 2014.

The following table summarizes GWRI's operating expenses for the three months ended March 31, 2015 and 2014 (in thousands of US$):

	Three Months Ended March 31,	
	2015	2014
Operations and maintenance	$ 2,471	$ 2,483
General and administrative	2,064	2,489
Gain on regulatory order	—	(50,664)
Depreciation	2,312	2,244
Total operating expenses	$ 6,847	$ (43,448)

Operations and Maintenance – Operations and maintenance costs, consisting of personnel costs, production costs (primarily chemicals and purchased power), maintenance costs, contract services, and property tax, remained relatively flat decreasing by only $12,000, or 0.5%, for the three months ended March 31, 2015 compared to the three months ended March 31, 2014.

Property taxes increased $43,000, or 9.0%, due to an increase in projected property tax liability for fiscal year 2015. Property taxes are calculated using a centrally valued property calculation, which derives property values based upon three-year historical average revenues of GWRI. As revenues increase, property taxes will continue to increase.

Residual disposal decreased $44,000, or 82.0%, due to the elimination of third party transportation expenses related to the transfer of certain disposal activities in-house combined with the elimination of bio-solid disposal fees as we began direct land application of bio-solids in July 2014.

Equipment rental expense decreased $24,000 due to maintenance and clean up of certain lagoons performed in the first quarter 2014 that did not occur in 2015.

General and Administrative – General and administrative costs include the day-to-day expenses of office operation; personnel costs, legal and other professional fees, insurance, rent and regulatory fees. These costs decreased $425,000, or 17.1%, during the three months ended March 31, 2015 compared to the three months ended March 31, 2014.

Personnel costs decreased $520,000, or 35.2%, to $956,000 for the three months ended March 31, 2015, from $1.5 million for the same period in the prior year. Personnel expenses primarily decreased due to approximately $300,000 of cash bonus payments made in lieu of Phantom Stock Units ("PSU") for the three months ended March 31, 2014. These payments were made to reduce the potential exposure to increased deferred compensation expense resulting from PSU remeasurement corresponding to an increase in share price. Such payouts did not occur in 2015. Additionally, deferred compensation decreased $132,000 for the three months ended March 31, 2015, compared to the three months ended March 31, 2014. Deferred compensation primarily decreased as a result of the reduction in total PSUs outstanding for the three months ended March 31, 2015, compared to the three months ended March 31, 2014. In December 2014, 300,000 PSUs granted in conjunction with the IPO in 2010 vested, and were paid out in January 2015. Deferred compensation is calculated based upon the current period change in share price, multiplied by the number of outstanding units. In addition to the decrease in number of units outstanding, the USD adjusted share price increased slightly less in the first quarter of 2015, compared to the first quarter of 2014, which also contributed to the reduction in deferred compensation. The remainder of the change in personnel costs is primarily related to the executive transition plan.

Regulatory expense increased $33,000, or 157.1%, to $54,000 for the three months ended March 31, 2015, compared to $21,000 for the three months ended March 31, 2014. The increase in regulatory expense was due to amortization

of deferred rate case costs incurred during the latest rate case that resulted in rate decision No. 74364 in February 2014. Amortization of the deferred rate case costs began in January 2015 in conjunction with the onset of new rates.

GWRI's professional fees, which include legal and accounting costs, decreased $50,000, or 9.4%, to $484,000 for the three months ended March 31, 2015 compared to $534,000 for the three months ended March 31, 2014. Professional fees decreased primarily due to a $104,000 decrease in accounting fees for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. Accounting fees primarily decreased due to the occurrence of certain expenses related to the finalization of the rate case in February 2014, which did not occur in 2015. The decrease in accounting fees was partially offset by an increase in legal fees related to work performed in relation to the agreements signed in the first quarter of 2015 for the stipulated condemnation of Valencia Water Company and sale of Willow Valley Water Co., Inc.

Board compensation increased from $78,000 to $91,000 for the quarter ended March 31, 2015 compared to the quarter ended March 31, 2014. Board compensation increased due to an increase in the number of board members receiving compensation compared to the prior year, combined with an increase in board compensation fees.

Depreciation – Depreciation expense increased by $68,000, or 3.0%, to $2.3 million for the three months ended March 31, 2015 compared to $2.2 million for the three months ended March 31, 2014. The increase primarily reflects the impact of the increase in depreciation at the regulated utilities due to the Rate Decision No. 74364, whereby ICFA funds are no longer recorded as CIAC, and therefore, ICFA-related CIAC amortization will no longer be recorded as a reduction to depreciation expense. This increase was partially offset by decreased depreciable base of the Company's fixed assets.

Other Income (Expense) – Other expense increased $1.9 million, to $2.2 million of net expense for the three months ended March 31, 2015 compared to $284,000 of net expense for the three months ended March 31, 2014. Other income (expense) primarily consists of interest expense, loss on equity method investment and other income. Interest expense remained relatively flat for the three months ended March 31, 2015 and March 31, 2014. Other income decreased by $2.1 million. The decrease in other income is attributable to $2.0 million of interest income related to the Sierra Negra Ranch, LLC ("SNR") litigation recorded during the three months ended March 31, 2014 and a $176,000 loss recorded in relation to the Willow Valley assets held for sale for the three months ended March 31, 2015. The decrease in other income was partially offset by a reduction of $130,000 in the loss recorded from our equity investment in FATHOM recorded for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. Equity investment losses decreased due to the reduction in the percentage of losses recorded, which declined in relation to FATHOM's November 2014 recapitalization, combined with a general improvement in FATHOM's performance during the first quarter of 2015 compared to the first quarter of 2014.

Income Tax Benefit (Expense) – Income tax benefit decreased $15.6 million or 96.7% to $528,000 for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. Income tax benefit decreased for the three months ended March 31, 2015 primarily due to the reversal of substantially all the income deferred tax asset valuation allowance for the three months ended March 31, 2014, resulting in a $16.1 million income tax benefit in the prior year, compared to an income tax benefit of $528,000 related to losses for the three months ended March 31, 2015.

Net Income (Loss) – The Company's net loss totaled $915,000 for the three months ended March 31, 2015 compared to net income of $66.3 million for the three months ended March 31, 2014. The change in net loss for the three months ending March 31, 2015 compared to net income as of March 31, 2014 is primarily attributed to a $50.7 million gain on regulatory order, $16.1 million release of income tax valuation allowance and interest income of $2.0 million related to the SNR litigation recorded in first quarter 2014 that did not occur in first quarter 2015. Furthermore, in the first quarter of 2015, a $176,000 loss was recorded in conjunction with the classification of Willow Valley's assets as held for sale, which did not occur in 2014.

EBITDA and Adjusted EBITDA – EBITDA totaled $2.9 million for the three months ended March 31, 2015 compared to $54.6 million for the three months ended March 31, 2014. The change in EBITDA for the three months ending March 31, 2015 compared to March 31, 2014 is primarily attributed to a $50.7 million gain on regulatory order recorded in first quarter 2014 that was not available in first quarter 2015.

Adjusted EBTIDA totaled $3.2 million for the three months ended March 31, 2015 compared to $2.1 million for the three months ended March 31, 2014. The increase in Adjusted EBITDA was due to the rate increase as well as the general reduction of operating and maintenance and general and administrative expenses in the first quarter of 2015 as discussed above.

A reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA in the three months ended March 31, 2015 and 2014 is as follows (in thousands of US$):

	Three Months Ended March 31,	
	2015	**2014**
Net income (loss)	$ (915)	$ 66,285
Income tax expense (benefit)	(528)	(16,125)
Interest income	$ (2)	$ (19)
Interest expense	2,079	2,224
Depreciation	$ 2,312	$ 2,244
EBITDA[(1)]	**2,946**	**54,609**
EBITDA Adjustments	220	(52,511)
Adjusted EBITDA[(2)]	**$ 3,166**	**$ 2,098**

(1) EBITDA is defined as income or loss before interest, income taxes, depreciation and amortization. EBITDA is not a recognized measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other companies. The table above reconciles EBITDA to net income (loss). See "Cautionary Statements Regarding Non-GAAP Measures" for further information regarding EBITDA.

(2) Adjusted EBITDA is defined as EBITDA less the gain or loss related to non-recurring events, and includes an adjustment for the gain on SNR litigation proceeds, gain on regulatory order, loss on assets held for sale and income (loss) on equity investment. Adjusted EBITDA is not a recognized measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other companies. The table above reconciles EBITDA to net income (loss). See "Cautionary Statements Regarding Non-GAAP Measures" for further information regarding EBITDA.

Net Income (Loss) and EBITDA Per Share Information – The common stock of GWRI is not publicly traded and reporting per share information is not a required disclosure. However, management believes that net earnings (loss) per share and EBITDA per share data may be useful to some users of the financial statements as those users make decisions related to GWRC, which holds an approximate 48.1% interest in GWRI. The following table summarizes such information for the three months ended March 31, 2015 and 2014 (amounts in thousands of US$, except share and per share data):

	Net Loss	EBITDA
Amount for the three months ended March 31, 2015 (in thousands)	$ (915)	$ 2,946
Weighted average number of GWRI shares outstanding during the three months ended March 31, 2015	182,050	182,050
GWRI per share amount [(1)]	$ (5.03)	$ 16.18
GWRI per share, excluding loss on assets held for sale and loss on equity method investment [(2)]	$ (3.82)	$ 17.39

	Net Income	EBITDA
Amount for the three months ended March 31, 2014	$ 66,285	$ 54,609
Weighted average number of GWRI shares outstanding during the three months ended March 31, 2014	182,050	182,050
GWRI per share amount [(1)]	$ 364.10	$ 299.97
GWRI per share, excluding SNR interest income, gain on regulatory order, release of income tax valuation allowance and loss on equity method investment [(3)]	$ (12.91)	$ 11.52

(1) Each share of GWRI is approximately equivalent to 100 common shares of GWRC. Therefore, GWRI's net loss per share and EBITDA per share amounts in terms of GWRC's common shares is approximately $(0.05) and $0.16 for three months ended March 31, 2015, respectively, and net income per share and EBITDA per share of approximately $3.64 and $3.00 for the three months ended March 31, 2014, respectively. EBITDA and EBITDA per share data are not U.S. GAAP measures.

(2) Excluding loss on assets held for sale and loss on equity method investment, the Company's net loss and EBITDA would total $695,000 and $3.2 million, respectively, for the three months ending March 31, 2015.

(3) Excluding SNR interest income, gain on regulatory order, release of income tax valuation allowance and loss on equity method investment, the Company's net loss and EBITDA would total $2.4 million and $2.1 million, respectively, for the three months ending March 31, 2014.

Quarterly Results – Our results of operations have varied and may continue to vary from quarter to quarter and are not necessarily indicative of the results of any future period. We believe that we have included all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of our quarterly data. You should read our quarterly data in conjunction with our consolidated financial statements and the related notes.

Operating results of our Regulated business are subject to significant seasonality. GWRI's water systems generally experience higher demand in the summer due to the warmer temperatures and increased usage by customers for irrigation and other outdoor uses. Accordingly, the second and third quarters of the year are generally those in which water services revenue and recycled water revenue are highest. Nevertheless, cooler or wetter weather can have a downward effect on our operating results.

The following table sets forth unaudited consolidated financial data for the last eight quarters ended March 31, 2015 (in thousands of US$). This financial information has been derived from the unaudited interim financial statements prepared by and is the responsibility of the Company's management.

	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
REVENUES:								
Water services	$ 3,893	$ 4,245	$ 5,087	$ 5,127	$ 3,617	$ 4,223	$ 5,405	$ 4,973
Wastewater and recycled water services	3,602	3,551	3,584	3,612	3,365	3,498	3,536	3,482
Unregulated revenues	127	117	124	116	14	45	49	634
Total revenues	7,622	7,913	8,795	8,855	6,996	7,766	8,990	9,089
OPERATING EXPENSES:								
Operations and maintenance	2,471	2,563	2,677	2,695	2,483	2,460	3,043	3,338
General and administrative	2,064	2,199	1,841	2,280	2,489	1,671	2,608	2,535
Gain on regulatory order	—	—	—	—	(50,664)	—	—	—
Depreciation	2,312	2,279	2,255	2,427	2,244	2,134	2,306	2,664
Total operating expenses	6,847	7,041	6,773	7,402	(43,448)	6,265	7,957	8,537
OPERATING INCOME (LOSS)	775	872	2,022	1,453	50,444	1,501	1,033	552
OTHER INCOME (EXPENSE):								
Interest income	2	15	23	22	19	20	20	6
Interest expense	(2,079)	(3,025)	(2,111)	(2,152)	(2,224)	(2,351)	(2,209)	(2,136)
Other	(141)	781	23	(147)	1,921	978	1,818	(1,964)
Total other income (expense)	(2,218)	(2,229)	(2,065)	(2,277)	(284)	(1,353)	(371)	(4,094)
INCOME (LOSS) BEFORE INCOME TAXES	(1,443)	(1,357)	(43)	(824)	50,160	148	662	(3,542)
INCOME TAX BENEFIT (EXPENSE)	528	518	17	335	16,125	(11)	(2)	(1)
NET INCOME (LOSS)	$ (915)	$ (839)	$ (26)	$ (489)	$ 66,285	$ 137	$ 660	$ (3,543)
Gain (Loss) Excluding gain on regulatory order, reversal of tax valuation allowance, SNR litigation proceeds, loss on sale of GWM, gain on sale of 303, loss on assets held for sale and loss on equity method investment	(695)	(1,457)	41	(256)	(2,351)	(709)	(1,151)	(1,534)
EBITDA excluding gain on regulatory order, SNR litigation proceeds, loss on sale of GWM, gain on sale of 303, loss on assets held for sale and loss on equity method investment	3,166	3,314	4,367	3,966	2,098	3,767	3,346	3,261

Business Divisions

Historically the Company operated in two reportable business divisions, Regulated and Unregulated. The Regulated division primarily consists of our water, wastewater and recycles water utilities, which are regulated by the ACC. Our Unregulated division was comprised of GWM, which, the Company operated to provide utility customer support and billing services, and automated metering infrastructure and asset management solutions to municipal and private utility clients, as well as to the Company's own regulated utilities.

On June 5, 2013, the Company sold GWM to a third party private equity firm. With the sale of GWM, as of March 31, 2015, the Company now operates as only one reportable business division.

Outstanding Share Data

As of May 12, 2015, there were 182,050 shares of common stock of GWRI outstanding and options to acquire an additional 431 shares of common stock of GWRI.

Liquidity and Capital Resources

The Company's capital resources are provided by internally generated cash flows from operations as well as debt and equity financing. Additionally, GWRI's regulated utility subsidiaries receive advances and contributions from customers, home builders and real estate developers to partially fund construction necessary to extend service to new areas. GWRI uses its capital resources to (i) fund operating costs, (ii) fund capital requirements, including construction expenditures, (iii) make debt and interest payments, and (iv) invest in new and existing ventures. GWRI's utility subsidiaries operate in rate-regulated environments in which the amount of new investment recovery may be limited, and where such recovery takes place over an extended period of time, as recovery through rate increases is subject to regulatory lag.

As of March 31, 2015, GWRI had notable near-term cash expenditure obligations. Most significantly, the Company has approximately $10.4 million of debt interest and principal payments due within the next year. While specific facts and circumstances could change, we believe that, together with cash on hand, we will be able to generate sufficient cash flows to meet our required debt service and operating cash flow requirements as well as remain in compliance with our debt covenants for at least the next twelve months.

In March 2014, the Company initiated a dividend program wherein we declare and pay a monthly dividend. The initial monthly dividends were approximately $379,000, or approximately C$0.022 per share. In November 2014 the Company increased the monthly dividend to approximately C$0.024 per share. In February 2015, the Company further increased the monthly dividend to approximately $399,000, or approximately C$0.026 per share, subject to fluctuations in the foreign exchange rate between the Canadian Dollar and the U.S. Dollar. The Company expects monthly dividends of similar amounts will be declared and paid for the foreseeable future. Declaration of any dividends is at the discretion of the Company's board of directors.

Cash Flows from Operating Activities – Cash flows from operating activities are used for operating needs and to meet capital expenditure requirements. GWRI's future cash flows from operating activities will be affected by economic utility regulation, infrastructure investment, growth in service connections, customer usage of water, compliance with environmental health and safety standards, production costs, and weather and seasonality.

The following table provides a summary of the major items affecting GWRI's cash flows from operating activities for the three months ended March 31, 2015 and 2014 (in thousands of US$):

	Three Months Ended March 31,	
	2015	2014
Net income (loss)	$ (915)	$ 66,285
Add (subtract):		
Non-cash operating activities[1]	2,263	(63,969)
Changes in working capital[2]	(634)	2,883
Changes in noncurrent assets and liabilities	50	2,811
Net cash provided by operating activities	$ 764	$ 8,010

(1) Includes deferred compensation, depreciation, gains and losses, income tax expense (benefit), and provision for losses on accounts receivable, as well as the $50.7 million gain on regulatory order recorded during the three months ended March 31, 2014.

(2) Changes in working capital include changes to accounts receivable and accrued revenue, other current assets, accounts payable, accrued expenses and other current liabilities.

For the three months ended March 31, 2015, GWRI's net cash provided by operating activities totaled $764,000 compared to $8.0 million for the three months ended March 31, 2014. The $7.2 million change in cash from operating activities was primarily driven by $2.8 million of ICFA funds and $2.0 million of interest received in the first quarter of 2014 in connection with the settlement of the SNR litigation. Additionally, cash from operations was affected by a $1.4 million payout of accrued PSU expense in the first quarter of 2015. Further, operating cash flows are affected by the timing of the recording and settlement of accounts payable and other accrued liabilities.

Cash Flows Used in Investing Activities – Cash flows provided by (used in) investing activities for the three months ended March 31, 2015 and 2014 were as follows (in thousands of US$):

	Three Months Ended March 31,	
	2015	2014
Capital expenditures	$ (419)	$ (106)
Cash advance to related party	(1,107)	—
Repayment of related party cash advance	182	—
Other investing activities, net[1]	2	198
Net cash provided by (used in) investing activities	$ (1,342)	$ 92

(1) Includes proceeds from the disposal of assets, and deposits and withdrawals of restricted cash.

For the three months ended March 31, 2015, GWRI's net cash used in investing activities totaled $1.3 million compared to net cash provided by investing activities of $92,000 in the same period in 2014. The $1.4 million change was primarily driven by the $925,000 net change in related party cash advance, a $303,000 increase in capital expenditures in 2015 compared to 2014, combined with $197,000 of withdrawals of restricted cash in 2014 that did not occur in 2015.

GWRI continues to invest capital prudently in its existing, core service areas where GWRI is able to deploy its TWM model and as service connections grow. This includes any required maintenance capital expenditures and the construction of new water and wastewater treatment and delivery facilities. GWRI's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Cash Flows from Financing Activities – GWRI's net cash used in financing activities totaled $1.3 million for the three months ended March 31, 2015 compared to net cash used in financing activities of $1.0 million for the same period in 2014. The $307,000 increase in cash used for financing activities was principally driven by $1.1 million of dividend payments in 2015 that did not occur in 2014, which was partially offset by a decrease of $805,000 in loan payments for the three months ended March 31, 2015 compared to the three months ended March 31, 2014.

Regulatory Restrictions

The issuance of long-term debt securities by GWRI does not require authorization of the ACC if no guarantee or pledge of the assets of the regulated subsidiaries of GWRI is utilized. However, ACC authorization is required for the issuance of long-term debt by GWRI's regulated subsidiaries.

Under applicable law, GWRI is limited to remitting distributions to the amount of current year earnings until a surplus in equity exists. A significant loss recorded within GWRI or at a subsidiary may limit the payment of distributions and dividends.

Insurance Coverage

GWRI carries various property, casualty and financial insurance policies with limits, deductibles and exclusions consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. GWRI is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on GWRI's short-term and long-term financial condition and the results of operations and cash flows.

Contractual Obligations and Commitments

GWRI enters into obligations with third parties in the ordinary course of business. The amounts of these obligations, as of March 31, 2015 are set forth in the table below (in thousands of US$):

Contractual obligations [1]	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	More than 5 Years
Long term debt obligations [2]	$ 129,995	$ 2,572	$ 5,552	$ 6,382	$ 115,489
Interest on long term debt [3]	117,376	7,729	15,056	14,468	80,123
Capital lease obligation	366	105	196	65	—
Interest on capital lease	49	24	23	2	—
Total	$ 247,786	$ 10,430	$ 20,827	$ 20,917	$ 195,612

(1) In addition to these obligations, GWRI pays annual refunds on AIAC over a specific period of time based on operating revenues generated from developer-installed infrastructure. The refund amounts are considered an investment in infrastructure and eligible for inclusion in future rate base. These refund amounts are not included in the above table because the refund amounts and timing are dependent upon several variables, including new customer connections, customer consumption levels and future rate increases, which cannot be accurately estimated. Portions of these refund amounts are payable annually over the next two decades, and amounts not paid by the contract expiration dates become non-refundable and are transferred to CIAC.

(2) The long-term debt obligations reflected in the table above exclude the debt discount related to the Series 2007 bonds. The debt discount at March 31, 2015 totaled $353,000 and is netted within the bonds payable balance on GWRI's balance sheet. The debt discount is being amortized over the term of the Series 2007 bonds.

(3) Interest on GWRI's Series 2006, 2007 and 2008 bonds is based on the fixed rates. Interest on the term loan from MidFirst Bank is variable based on the LIBOR. See Note 8 in financial statements for more details.

Quantitative and Qualitative Disclosure about Market Risk

GWRI is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. GWRI uses a combination of fixed-rate and variable-rate debt to reduce interest rate exposure. A hypothetical 10% increase in interest rates associated with variable rate debt would result in a $20,000 and $18,000 increase in GWRI's pre-tax loss for three months ended March 31, 2015 and March 31, 2014, respectively. To reduce the risk from interest rate fluctuations, we have entered into two five-year interest rate cap transaction agreements for the majority of our variable-rate debt. Under the interest rate cap agreements, the Company will be reimbursed for the interest costs that may occur in excess of the interest rate cap levels.

Other than interest-related risks, we believe the risks associated with price increases for chemicals, electricity and other commodities are mitigated by GWRI's ability over the long-term to recover its costs through rate increases to its customers, though such recovery is subject to regulatory lag.

Risk Factors

The Company's future performance and financial condition involves a number of risks and uncertainties. Any of these risks and uncertainties could have a material adverse effect on its results of operations, business prospects and financial condition. These risks are discussed in GWRC's most recent Annual Information Form, which is available on GWRC's SEDAR profile at www.sedar.com.

Related Party Transactions

See Note 7 to GWRI's unaudited consolidated financial statements for the three months ended March 31, 2015.

Critical Accounting Policies and Estimates

The application of critical accounting policies is particularly important to GWRI's financial condition and results of operations and provides a framework for management to make significant estimates, assumptions and other judgments. Additionally, GWRI's financial condition, results of operations and cash flow are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. Although GWRI's management believes that these estimates, assumptions and other judgments are appropriate, they relate to matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and other judgments applied to these accounting policies could have a significant impact on GWRI's financial condition and results of operations as reflected in GWRI's financial statements. For further discussion of the Company's accounting policies and estimates, refer to GWRI's 2014 audited consolidated financial statements.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period beginning on January 1, 2015 and ended on March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Other Required Disclosures

Additional information relating to GWRI, including GWRC's Annual Information Form, has been filed on GWRC's profile on SEDAR at www.sedar.com.

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