



## Financial Statements

**March 31, 2008**  
(Unaudited)

**Notice:** The unaudited interim financial statements of GLR Resources Inc. ("Company") as at and for the three months ended March 31, 2008 and 2007 ("Financial Statements") have been prepared by management and have not been reviewed by the Company's auditors. The Financial Statements should be read in conjunction with the financial statements for the year ended December 31, 2007 which are available at the SEDAR website at [www.sedar.com](http://www.sedar.com). The Financial Statements are presented in Canadian dollars, unless otherwise indicated, and are prepared in accordance with Canadian generally accepted accounting principles.

**GLR Resources Inc.**  
**Balance Sheets**  
*(Canadian dollars)*

	March 31 2008 \$	December 31 2007 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>(Note 3)</i>	2,192,925	1,753,741
Goods and services tax recoverable	55,339	68,414
Prepaid expenses and advances <i>(Note 4)</i>	28,240	45,629
Inventory	4,351	-
Assets held for sale	-	13,000
Due from related parties <i>(Note 8)</i>	238,443	97,487
	<b>2,519,298</b>	<b>1,978,271</b>
<b>Investments</b>		
<b>Property, plant and equipment</b> <i>(Note 7)</i>	<b>66,845</b>	112,776
<b>Mineral properties and deferred expenditures</b> <i>(Note 6)</i>	<b>9,836,592</b>	9,264,252
<b>Other assets</b> <i>(Note 5)</i>	<b>2,883,190</b>	2,758,888
	<b>5,494,514</b>	3,466,833
	<b>20,800,439</b>	<b>17,581,020</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities <i>(Note 8)</i>	547,837	867,340
Promissory note payable <i>(Note 11)</i>	2,000,000	2,000,000
	<b>2,547,837</b>	<b>2,867,340</b>
<b>Long-term liabilities</b>		
Future income taxes	1,262,306	460,000
	<b>1,262,306</b>	<b>460,000</b>
	<b>3,810,143</b>	<b>3,327,340</b>
<b>Shareholders' equity</b>		
Capital stock <i>(Note 9)</i>	17,772,106	14,968,061
Contributed surplus <i>(Note 10)</i>	3,383,581	3,017,072
Accumulated deficit	(4,190,629)	(3,794,929)
Accumulated comprehensive income	25,238	63,476
	<b>16,990,296</b>	<b>14,253,680</b>
	<b>20,800,439</b>	<b>17,581,020</b>

Commitments and contingencies (Notes 1, 6 and 14)

*The accompanying notes are an integral part of these financial statements.*

**GLR Resources Inc.**  
**Statements of Operations and Deficit**  
*(Canadian Dollars except share and per-share amounts)*

	<b>Three months ended March 31</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b>		
Management fees <i>(Note 8)</i>	<b>48,224</b>	12,307
Interest	<b>23,719</b>	2,301
	<b>71,943</b>	14,608
<b>Operating Expenses</b>		
Office and general <i>(Note 8)</i>	<b>84,116</b>	31,100
Interest expense	<b>41,778</b>	-
Public relations	<b>18,066</b>	23,742
Professional fees	<b>59,220</b>	47,407
Shareholder information	<b>21,671</b>	25,047
Consulting	<b>28,379</b>	29,421
Salaries, fees and benefits	<b>186,904</b>	90,212
Stock-based compensation	<b>27,509</b>	71,597
	<b>467,643</b>	318,526
<b>Net loss before taxes</b>	<b>(395,700)</b>	(303,918)
Future income tax recoveries	-	83,868
<b>Net loss for the period</b>	<b>(395,700)</b>	(220,050)
Deficit, beginning of period	<b>(3,794,929)</b>	(1,520,999)
<b>Deficit, end of the period</b>	<b>(4,190,629)</b>	(1,741,049)
<b>Net loss per share—basic and fully diluted</b>	<b>(0.01)</b>	(0.01)
<b>Weighted average number of shares (000's) – basic and fully diluted</b>	<b>57,257</b>	42,906

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**GLR Resources Inc.**  
**Statement of Comprehensive Income**  
*(Canadian Dollars)*

	<b>Three months ended March 31</b>	
	<b>2008</b>	2007
	<b>\$</b>	<b>\$</b>
Net loss	<b>(395,700)</b>	(220,050)
Other comprehensive income:		
Loss on available-for-sale securities, net of tax benefit	<b>(38,238)</b>	-
<b>Total comprehensive loss</b>	<b>(433,938)</b>	(220,050)

**Statement of Accumulated Comprehensive Income**  
*(Canadian Dollars)*

	<b>Three months ended March 31</b>	
	<b>2008</b>	2007
	<b>\$</b>	<b>\$</b>
Balance, beginning of period	63,476	-
Loss on available-for-sale securities, net of tax benefit	(38,238)	-
<b>Accumulated comprehensive income</b>	<b>25,238</b>	-

*The accompanying notes are an integral part of these financial statements.*

**GLR Resources Inc.**  
**Statements of Cash Flow**  
*(Canadian Dollars)*

	<b>Three months ended March 31</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Operations</b>		
Net loss	<b>(395,701)</b>	(220,050)
Adjustments to reconcile net income (loss) to cash flow from operating activities:		
Amortization	<b>3,175</b>	463
Stock-based compensation	<b>27,509</b>	71,597
Future income taxes (recoveries)	-	(83,868)
Net change in non-cash working capital items:		
Goods and services tax recoverable	<b>13,075</b>	(23,970)
Prepaid expenses and advances	<b>17,389</b>	(286)
Inventory	<b>(4,351)</b>	-
Assets held for sale	<b>13,000</b>	-
Accounts payable and accrued liabilities	<b>(319,503)</b>	19,708
<b>Cash flow used in operating activities</b>	<b>(645,407)</b>	(236,406)
<b>Financing</b>		
Issuance of common shares	<b>4,290,800</b>	47,766
Cash costs associated with issuance of common shares	<b>(337,755)</b>	-
Decrease (increase) in due from related parties	<b>(140,956)</b>	212,932
Deferred financing costs <i>(Note 5)</i>	-	(29,598)
<b>Cash flow from financing activities</b>	<b>3,812,089</b>	231,100
<b>Investments</b>		
Expenditures on resource assets and mineral properties	<b>(115,525)</b>	(665,964)
Property, plant and equipment	<b>(584,292)</b>	(62,633)
Advances to suppliers <i>(Note 5)</i>	<b>(2,027,681)</b>	-
<b>Cash flow used in investing activities</b>	<b>(2,727,498)</b>	(728,597)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>439,184</b>	(733,903)
Cash and cash equivalents, beginning of period	<b>1,753,741</b>	1,797,012
<b>Cash and cash equivalents, end of period</b>	<b>2,192,925</b>	1,063,109

Supplementary cash flow information (Note 13)

*The accompanying notes are an integral part of these financial statements.*

**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**As at and for the three months ended March 31, 2008 and 2007**  
*(Expressed in Canadian dollars)*

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**1. Nature of operations and going concern**

***Nature of operations***

GLR Resources Inc. ("GLR", or the "Company") is a federally incorporated company. GLR is in the process of bringing a mine into production. GLR also holds a portfolio of grass roots exploration properties, which it continues to evaluate. Unless otherwise indicated all dollar amounts are expressed in Canadian currency.

The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of GLR to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from the disposition thereof.

The Company's Canadian exploration activities are mainly undivided interests in properties that are explored jointly with others. Accordingly, these financial statements reflect GLR's pro-rata share of the assets, liabilities, and expenditures of these undivided interests, as appropriate.

The Company's Goldfields project is located in northern Saskatchewan and is currently under construction to operate the project as an open-pit mine. In October 2007, the Company announced that it had entered into various contracts with major equipment suppliers for processing equipment. Advances have been made to suppliers of process equipment requiring a long lead time to manufacture. This provides time for the process equipment to be delivered on a schedule that anticipates commissioning of the plant and commencement of production in late 2009.

***Going concern***

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and on the assumption that the Company will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations as a going concern. If the "going concern" assumption is not appropriate, then material adjustments may be necessary in the carrying amounts and/or classifications of assets and liabilities in these financial statements.

The Company's ability to discharge its liabilities and realize the carrying value of its assets in the normal course of operations is dependent upon, among other things, management's ability to raise the required amount of debt and/or equity financing and for profitable operations to be achieved. There can be no assurance that the Company will be successful with those initiatives.

**2. Summary of significant accounting policies**

These interim unaudited financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation. The results of operations for the three month period ended March 31, 2008 are not necessarily indicative of the results expected for the full year.

These interim unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods set forth in the Company's audited consolidated financial statements as at and for the year ending December 31, 2007 and should be read in conjunction with those audited financial statements and notes thereto.

**3. Cash and cash equivalents**

The balance at March 31, 2008, contains cash on deposit of \$2,192,925 (December 31, 2007 - \$1,753,741), and guaranteed investments certificates ("GIC") of \$Nil (December 31, 2007 - \$Nil).



**GLR Resources Inc.**  
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**4. Prepaid expenses and advances**

As at March 31, 2008, the Company advanced \$25,000 (December 31, 2007 - \$25,000) to a drilling contractor and \$3,240 (December 31, 2007 - \$20,269) in respect of travel costs.

**5. Other assets**

At each of the dates indicated other assets are comprised of:

	March 31 2008 \$	December 31 2007 \$
Advances to suppliers	5,025,574	2,997,893
Deferred financing costs	468,940	468,940
	<b>5,494,514</b>	<b>3,466,833</b>

As at March 31, 2008 the Company had made advances of \$5,025,574 (December 31, 2007 - \$2,997,893) to suppliers for commitments (*Note 14*) entered into with suppliers for construction of a process plant and refinery, crushing plant, certain mining equipment and trucks and engineering design services.

**6. Mineral properties and deferred expenditures**

The following table summarizes the Company's mineral properties and deferred expenditures during 2008:

	Opening balance (\$)	Additions (\$)	Disposals (\$)	Net (\$)
Stares, Ontario	785,461	1,193	-	<b>786,654</b>
Goldie, Ontario	430,402	102,654	-	<b>533,056</b>
Hurd McAuley, Ontario	457,237	10,148	-	<b>467,385</b>
Baldwin, Ontario	313,661	5,965	-	<b>319,626</b>
Kirkland West, Ontario	248,148	1,824	-	<b>249,972</b>
Martin Lake, Saskatchewan	127,243	-	-	<b>127,243</b>
Dubnick Triangle, Saskatchewan	144,623	-	-	<b>144,623</b>
General and other	252,113	2,518	-	<b>254,631</b>
	<b>2,758,888</b>	<b>124,302</b>	<b>-</b>	<b>2,883,190</b>

Under its mineral properties option agreements, the Company is required to make payments and issue common shares in future years, as follows:

Year	\$	Shares
2008	50,000	-
2009	-	-
2010	-	-
On production decision	-	-
	<b>50,000</b>	<b>-</b>



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
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**7. Property, plant and equipment**

	March 31, 2008			December 31, 2007		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
<b>Goldfields Mine</b>						
Property	8,206,125	-	<b>8,206,125</b>	8,094,194	-	<b>8,094,194</b>
Buildings	918,278	-	<b>918,278</b>	708,852	-	<b>708,852</b>
Equipment	479,527	-	<b>479,527</b>	227,759	-	<b>227,759</b>
<b>Corporate</b>						
Exploration equipment	263,560	91,815	<b>171,745</b>	253,580	82,999	<b>170,581</b>
Office furniture and fixtures	100,943	40,026	<b>60,917</b>	99,756	36,890	<b>62,866</b>
	9,968,433	131,841	<b>9,836,592</b>	9,384,141	119,889	<b>9,264,252</b>

There has been no amortization recorded on the Goldfields mine assets as the Company has not started commercial production.

**8. Related party transactions**

The financial statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties.

	Three months ended March 31	
	2008	2007
	\$	\$
<b>Transactions during the year:</b>		
Exploration expenditures	11,345	52,300
Consulting fees	-	12,000
Administrative costs	69,539	11,614
Management fees earned	48,224	12,307
	As at March 31, 2008	As at December 31, 2007
<b>Related party advances and fees receivable:</b>		
	\$	\$
Management fees	115,911	65,276
Other (non-interest bearing, no fixed terms of repayment)	122,532	32,211
	<b>238,443</b>	<b>97,487</b>
<b>Related party payables included in:</b>		
Accounts payable and accrued liabilities	7,875	37,565

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**9. Capital stock**

**Share capital**

GLR's authorized share capital consists of an unlimited number of Class A Voting Common Shares, and an unlimited number of non-voting, redeemable Class B Preferred Shares, Series A. This series is redeemable by the Company, in whole or in part, at the rate of \$1,000 per Series A share. The holders of the Series A shares are not entitled to dividends.

The issued Class A Voting Common Share capital is as follows:

	Number of Shares	\$
<b>Balance at December 31, 2007</b>	<b>53,868,024</b>	<b>14,968,061</b>
<b>Issued for:</b>		
Cash:		
Flow-through private placements	4,000,000	2,000,000
Less costs of issuance	-	(276,912)
Non-flow-through private placements	5,727,000	2,290,800
Less costs of issuance	-	(968,843)
Value of Broker Warrants issued	-	(241,000)
<b>Balance at March 31, 2008</b>	<b>63,595,024</b>	<b>17,772,106</b>

Details of the Private Placements completed for the quarter ended March 31, 2008:

Month of issuance	February-08	February-08	March-08
Type of security issued	Units	Flow-through Shares	Units
Number issued	5,025,000	4,000,000	702,000
Warrants issued	2,512,500	-	351,000
No. of Agent Warrants issued	541,500	-	40,200
Gross cash proceeds	\$2,010,000	\$2,000,000	\$280,800
Agent Warrants entitle holders to:			
Class A Voting Common Shares on exercise	406,500	225,000	225,000
Purchase of Class A Voting Common Shares	203,250		
Exercise price on Agent Warrants			
Exercise price	\$0.60 <sup>(1)</sup>	\$0.80	\$0.80
Expiry date of warrants	February 2010	-	March 2010

During February, 2008, the Company completed a brokered private placement for aggregate gross proceeds of \$4,010,000 through the sale of 4,000,000 flow-through Class A shares at a price of \$0.50 per Class A share and 5,025,000 units of the Company at a price of \$0.40 per unit. Each unit is comprised of one Class A share of the Company and one-half of one share purchase warrant (each such whole share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase one share of the Company at a price of \$0.60 for a period of 24 months. The Warrants were valued at \$169,000 using the Black-Scholes option pricing model with a risk-free rate of 3.05%, expected volatility of 56.24% and expected life of 2 years.



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**9. Capital stock (continued)**

The Company paid the agents a cash commission of \$240,600 and granted them non-transferable warrants (each, an "Agent Warrant") to purchase an aggregate of up to 541,500 units of the Company (each, an "Agent Unit"). Each Agent Warrant entitles the holder thereof to purchase one Agent Unit for a period of 24 months at an exercise price of \$0.44 per unit. Each Agent Unit is comprised of one Class A share and one-half of one share purchase warrant (each such whole share purchase warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant entitles the holder thereof to purchase one Class A share at a price of \$0.60 for a 24-month period. The Agent Unit Warrants were valued at \$91,000 using the Black-Scholes option pricing model with a risk-free rate of 3.05%, expected volatility of 56.24% and expected life of 2 years.

During March, 2008, the Company completed a non-brokered private placement for aggregate gross proceeds of \$280,800 through the sale of 702,000 units of the Company at a price of \$0.40 per unit. Each unit is comprised of one Class A share of the Company and one-half of one share purchase warrant (each such whole share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase one share of the Company at a price of \$0.60 for a period of 24 months following closing. The Warrants were valued at \$28,000 using the Black-Scholes option pricing model with a risk-free rate of 3.05%, expected volatility of 56.31% and expected life of 2 years.

The Company paid the agents a cash commission of \$16,080 and granted them non-transferable warrants (each, an "Agent Warrant") to purchase an aggregate of up to 40,200 units of the Company (each, an "Agent Unit"). Each Agent Warrant entitles the holder thereof to purchase one Agent Unit for a period of 24 months at an exercise price of \$0.44 per unit. Each Agent Unit is comprised of one Class A share and one-half of one share purchase warrant (each such whole share purchase warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant entitles the holder thereof to purchase one Class A share at a price of \$0.60 for a 24-month period following closing. The Agent Unit Warrants were valued at \$7,000 using the Black-Scholes option pricing model with a risk-free rate of 3.05%, expected volatility of 56.31% and expected life of 2 years.

**Warrants**

A summary of the Company's warrant activity during the three months ended March 31, 2008 is as follows:

	Warrants #	Weighted average exercise price \$
<b>Outstanding, December 31, 2007</b>	7,277,339	0.63
Issued	3,715,950	0.58
Exercised	-	-
Cancelled	-	-
Expired	-	-
<b>Outstanding, March 31, 2008</b>	10,993,289	0.61



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
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**9. Capital stock (continued)**

The outstanding warrants at March 31, 2008 to purchase Class A Voting Common Shares are as follows:

Month of Expiry	#	\$
April 2008	2,298,000	0.60
October 2008	3,389,830	0.59
December 2008	1,078,431	0.75
December 2008	196,078	0.51
May 2009	225,000	0.80
September 2009	90,000	0.70
February 2010	3,324,750	0.58
March 2010	391,200	0.58
	<b>10,993,289</b>	<b>0.61</b>

On April 23, 2008 warrants to acquire 2,298,000 Class A voting Common Shares expired unexercised.

**Options**

GLR has a stock option plan (the "Plan") pursuant to which options to purchase Class A Voting Common Shares may be granted to certain officers, directors and employees. The plan allows for the issuance of up to 10% of the aggregate number of Class A Common Shares issued and outstanding from time-to-time. As at March 31, 2008 the Company had 1,859,502 (December 31, 2007—886,802) options available for issuance. A continuity of the unexercised options to purchase Class A Voting Common Shares is as follows:

	2007	
	Weighted average exercise price (\$)	Options #
<b>Outstanding at December 31, 2007</b>	0.52	4,500,000
Transactions during the period:		
Exercised	-	-
Granted	-	-
Forfeited	-	-
Expired	-	-
<b>Outstanding at March 31, 2008</b>	<b>0.52</b>	<b>4,500,000</b>
<b>Exercisable at March 31, 2008</b>	<b>0.53</b>	<b>3,720,000</b>



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
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**9. Capital stock (continued)**

The following table provides additional information about outstanding stock options at March 31, 2008.

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.31 - \$0.50	2,145,000	2.0	0.44
0.51 - 0.70	2,355,000	3.6	0.60
<b>\$0.31 - \$0.70</b>	<b>4,500,000</b>	<b>3.0</b>	<b>0.52</b>

Subsequent to March 31, 2008, an option to acquire 50,000 Class A voting common shares at an exercise price of \$0.60 per share expired unexercised.

**10. Contributed Surplus**

	\$
<b>Balance at December 31, 2007</b>	<b>3,017,072</b>
Value of vesting options	27,509
Value of warrants issued	339,000
Value transferred on exercised options and warrants	-
<b>Balance at March 31, 2008</b>	<b>3,383,581</b>

**11. Promissory Note**

The Company has executed a promissory note (the "Note") providing for the repayment of \$2 million dollars to Blackfish Capital (Master) Fund 1 SPC ("Blackfish"), a fund related to Investec Bank (UK) Limited ("Investec"). The Note bears interest, payable at the end of each quarter, at LIBOR plus 0.5% per 30-day period and matures on the earlier of (i) October 30, 2008; (ii) the date of the initial drawdown under the Facilities; or (iii) the occurrence of an event of default.

Under the terms of the Note, this loan is solely for the purposes for capital expenditures related to the Goldfields project in Saskatchewan. Also, GLR must maintain a positive net worth of \$7,500,000. GLR also retains the right to prepay without a premium or penalty in minimum integrals of \$500,000.

**12. Financial Instruments**

**a) Fair value**

The carrying values of the Company's cash, due from related parties, accounts payable and accrued liabilities and promissory note payable approximate their fair values due to the relatively short periods to maturity of the instruments.

**b) Interest rate risk**

The Company is not exposed to significant interest rate price risk due to the short-term maturity of its monetary assets and liabilities.

**c) Credit risk**

The Company is exposed to credit risk with respect to its goods and services tax recoverable; however, the risk is minimized because the amount due is from a subdivision of the Canadian federal government.



**GLR Resources Inc.**  
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**12. Financial Instruments (continued)**

**d) Derivatives – mineral properties**

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties (“NSR”), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

**e) Currency risk**

Although the Company’s operations are conducted in Canadian dollars, it has entered into contracts, denominated in United States dollars, for the delivery of process plant and equipment. The Company has not hedged its exposure to the United States dollar.

**13. Supplementary cash flow information**

	<b>2008</b>
	<b>\$</b>
Income taxes paid	-
Interest paid	25,386
<b>Non-cash items</b>	
Share issuance costs	1,149,000
Contributed surplus	366,509

**14. Commitments and Contingencies**

At March 31, 2008, the Company had entered into several contracts in order to commence construction of its Goldfields Mine. These contracts commit the Company to expending approximately \$20.8 million on process plant and equipment, of which \$5.0 million had been advanced to suppliers at March 31, 2008 (Note 5). The ability of the Company to satisfy these commitments depends on its ability to raise sufficient financing to complete construction and commence production.

As at March 31, 2008, the Company is committed to incur, prior to December 31, 2008, on a best efforts basis, approximately \$1,525,000 in qualifying Canadian exploration expenditures (“CEE”) pursuant to a private placement for which flow-through proceeds had been received during November 2007 and renounced to the subscribers with an effective date of December 31, 2007. During February 2008, the Company raised a further \$2.0 million in flow-through financing.

In order to further the development of the Company’s Box Mine, on February 27, 2006, the Company entered into an agreement, as amended on January 31, 2008 (the “Mandate”) with Investec for the provision of project financing services for the Box Mine from a syndicate of financial institutions (the “Project Lenders”). The Mandate contains terms of reference for Investec to arrange project debt financing for the Box Mine comprising the following facilities (collectively, the “Project Debt Facilities”): (i) a term loan facility of up to US\$40 million; (ii) a convertible loan facility of US\$5 million; and (iii) a gold hedging facility during the terms of the term loan facility and the convertible loan facility.

The Company intends to enter into the Debt Facility Agreement in order to obtain a significant proportion of the funding required for the development of the Box Mine. The “Debt Facility Agreement” is a definitive binding agreement to be entered into among the Project Lenders and the Company pursuant to which the Project Lenders agree to provide the Project Debt Facilities to fund the development of the Box Mine upon satisfaction of certain conditions precedent. The “**Project Lenders**” will be a syndicate of financial

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institutions arranged by Investec to provide the Project Debt Facilities pursuant to the Debt Facility Agreement.

#### **14. Commitments and Contingencies (continued)**

While the Company cannot provide assurance that it will enter into the anticipated Debt Facility Agreement, the Company has entered into the Mandate and Investec is currently conducting due diligence and is in preliminary discussions with other Project Lenders in connection with syndicating the Project Debt Facilities.

Over the next year, the Company plans to continue to work on the exploration and development of its mineral projects and to develop and build a mine at the Box Mine. The Company expects to put the Box Mine into production in late 2009. The anticipated funding to be provided by the Project Lenders under the Debt Facility Agreement and the Project Debt Facilities is critical to the successful development of the Box Mine. (See Note 15.)

#### **15. Subsequent events**

One of the conditions precedent to the advance of funding by the Project Lenders for the development of the Box Mine is that the Project Lenders will have a first ranking security interest over the Box Mine and related assets. In order to facilitate the provision of such security interest to the Project Lenders and, in turn, the funding to be provided for the Box Mine under the Project Debt Facilities, it is contemplated that: (i) the Box Mine and assets relating to the Box Mine (collectively, the "Transferred Assets") will be transferred to a subsidiary directly or indirectly owned by the Company, such that the Project Lenders will have a first ranking security interest in all of the outstanding shares of the subsidiary and all debt made available by the Company to the subsidiary; and (ii) the Project Debt Facilities will be made available to the subsidiary.

On May 12, 2008, the shareholders of the Company approved the transfer of the following assets to the subsidiary in exchange for 99 common shares of the subsidiary and the assumption of certain liabilities of the Company related to assets:

- (i) the "Box Mine" being mining lease #5522 covering 70 hectares;
- (ii) mining claim CBS #5664 comprising 4,547 hectares surrounding the Box Mine;
- (iii) all assets relating to the Box Mine, including all agreements to which the Company is a party which pertain to the Box Mine, all related plant, equipment and information and data to, and required for, the development of and production from the Box Mine; and
- (iv) such other assets as the board of directors of the Company may determine (collectively, the "Transferred Assets").