



Financial Statements

June 30, 2008
(Unaudited)

Notice to Reader:

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, notice is hereby given that the accompanying comparative interim financial statements of the Company as at and for the three and six months ended June 30 2008 and 2007 have been prepared in accordance with Canadian generally accepted accounting principles and have not been audited or reviewed by the Company's auditors. The accompanying financial statements are the responsibility of the Company's management and 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. The accompanying financial statements, which are presented in Canadian dollars unless otherwise indicated, include the selection of appropriate accounting principles, judgments and estimates that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

GLR Resources Inc.
Balance Sheets
(Canadian dollars)

	June 30 2008 \$	December 31 2007 \$
Assets		
Current assets		
Cash and cash equivalents <i>(Note 3)</i>	1,043,048	1,753,741
Accounts receivable	37,180	68,414
Prepaid expenses and advances <i>(Note 4)</i>	25,000	45,629
Inventory	4,351	-
Assets held for sale	-	13,000
Due from related parties <i>(Note 8)</i>	128,743	97,487
	1,238,322	1,978,271
Investments	201,392	112,776
Property, plant and equipment <i>(Note 7)</i>	10,717,278	9,264,252
Mineral properties and deferred expenditures <i>(Note 6)</i>	2,870,648	2,758,888
Other assets <i>(Note 5)</i>	5,395,675	3,466,833
	20,423,315	17,581,020
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities <i>(Note 8)</i>	717,332	867,340
Promissory note payable <i>(Note 13)</i>	2,000,000	2,000,000
	2,717,332	2,867,340
Long-term liabilities		
Future income taxes	1,284,688	460,000
	1,284,688	460,000
	4,002,020	3,327,340
Shareholders' equity		
Capital stock <i>(Note 9)</i>	17,766,186	14,968,061
Contributed surplus <i>(Note 10)</i>	3,397,079	3,017,072
Accumulated deficit	(4,878,446)	(3,794,929)
Accumulated comprehensive income	136,476	63,476
	16,421,295	14,253,680
	20,423,315	17,581,020

Commitments and contingencies (Notes 1, 6 and 17)

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)

	Three months ended		Six months ended	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenues				
Management fees <i>(Note 8)</i>	65,166	51,720	113,390	64,028
Interest	10,107	13,663	33,826	15,964
	75,273	65,383	147,216	79,992
Operating Expenses				
Office and general <i>(Note 8)</i>	77,309	45,212	161,425	76,310
Interest expense and finance fees	205,132	-	246,910	-
Public relations	21,382	59,934	39,448	83,676
Professional fees	278,620	20,856	337,840	68,263
Shareholder information	21,110	7,813	42,781	32,860
Consulting	91,375	72,578	119,754	101,999
Salaries, fees and benefits	54,664	143,590	241,568	233,805
Stock-based compensation	13,498	196,105	41,007	267,702
	763,090	546,088	1,230,733	864,615
Net loss before taxes	(687,817)	(480,705)	(1,083,517)	(784,623)
Future income tax recoveries	-	102,741	-	186,609
Net loss for the period	(687,817)	(377,964)	(1,083,517)	(598,014)
Deficit, beginning of period	(4,190,629)	(1,741,049)	(3,794,929)	(1,520,999)
Deficit, end of the period	(4,878,446)	(2,119,013)	(4,878,446)	(2,119,013)
Net loss per share—basic and fully diluted	(0.01)	(0.01)	(0.02)	(0.01)
Weighted average number of shares (000's) – basic and fully diluted	63,595	39,375	60,613	44,087

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

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

	Three months ended June 30		Six months ended June 30	
	2008 \$	2007 \$	2008 \$	2007 \$
Net loss	(687,817)	(480,705)	(1,083,517)	(784,623)
Other comprehensive income:				
Gain (loss) on available-for-sale securities, net of tax benefit	110,968	-	72,730	-
Total comprehensive loss	(576,849)	(480,705)	(1,010,787)	(784,623)

Statement of Accumulated Comprehensive Income
(Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2008 \$	2007 \$	2008 \$	2007 \$
Balance, beginning of period	25,238	-	63,476	-
Gain (loss) on available-for-sale securities, net of tax benefit	110,968	-	72,730	-
Accumulated comprehensive	136,206	-	136,206	-

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

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

	Three months ended June 30		Six months ended June 30	
	2008 \$	2007 \$	2008 \$	2007 \$
Operations				
Net loss	(687,817)	(377,964)	(1,083,517)	(598,014)
Adjustments to reconcile net income (loss) to cash flow from operating activities:				
Amortization	3,175	463	6,350	926
Stock-based compensation	13,498	196,105	41,007	267,702
Future income taxes (recoveries)	-	(102,741)	-	(186,609)
	(671,144)	(284,137)	(1,036,160)	(515,995)
Net change in non-cash working capital items:				
Accounts receivable	18,159	(17,235)	31,234	(41,205)
Prepaid expenses and advances	3,240	(9,714)	20,629	(10,000)
Inventory	-	-	(4,351)	-
Assets held for sale	-	-	13,000	-
Due from related parties	109,700	-	(31,255)	-
Accounts payable and accrued liabilities	169,494	43,248	(150,008)	62,955
Cash flow used in operating activities	(370,551)	(267,838)	(1,156,911)	(504,245)
Financing				
Issuance of common shares	(5,919)	1,549,648	3,947,125	1,597,415
Decrease (increase) in due from related parties	-	(79,823)	-	133,108
Deferred financing costs <i>(Note 5)</i>	-	-	-	(29,598)
Cash flow from financing activities	(5,919)	1,469,825	3,947,125	1,700,925
Investments				
Expenditures on resource assets and mineral properties	21,319	(887,339)	(94,206)	(1,553,303)
Property, plant and equipment	(794,726)	(69,708)	(1,379,020)	(132,340)
Advances to suppliers <i>(Note 5)</i>	-	-	(2,027,681)	-
Cash flow used in investing activities	(773,407)	(957,047)	(3,500,907)	(1,685,643)
Net increase (decrease) in cash and cash equivalents	(1,149,877)	244,940	(710,693)	(488,963)
Cash and cash equivalents, beginning of period	2,192,925	1,063,109	1,753,741	1,797,012
Cash and cash equivalents, end of period	1,043,048	1,308,049	1,043,048	1,308,049

Supplementary cash flow information (Note 16)

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 and six months ended June 30, 2008 and 2007
(Expressed in Canadian dollars)

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 property, plant and equipment and deferred exploration 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 anticipated commissioning of the plant and commencement of production in late 2009. Due to delays in financing, the Company does not expect production to commence before late 2010.

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 and six month periods ended June 30, 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.



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New accounting pronouncements

- (i) Financial Instruments-Disclosure (Section 3862) and Financial Instruments-Presentation (Section 3863)

Section 3862 replaces the disclosure portion of Section 3861, Financial Instruments-Disclosure and Presentation and enhances the disclosure requirements on the nature and extent of risks arising from financial instruments and how these risks are managed. Section 3863 carries forward the presentation requirements from Section 3861. Effective January 1, 2008, adopted these standards. Beyond additional disclosures, the adoption of these new pronouncements did not have an effect on the Company's financial position or results of operations. The new disclosures are included in Note 12.

- (ii) Capital Disclosures (Section 1535)

Section 1535 establishes standards for disclosure of qualitative and quantitative disclosure about an entity's capital and how it is managed in order to enable users of its financial statements to evaluate the entity's objectives, policies and processes of managing its capital. Effective January 1, 2008, the Company adopted these standards. Beyond additional disclosures, the adoption of these standards did not have an effect on the Company's financial position or results of operations. The new disclosures are included in Note 11.

- (iii) General Standards of Financial Statement Presentation (Section 1400)

The amendment to this section provides revised guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Effective January 1, 2008, the Company adopted the amendment to this section. Beyond additional disclosure, the adoption of this amendment did not have an effect on the Company's financial position or results of operations. The new disclosures are included in Note 1.

- (iv) International Financial Reporting Standards

On February 13, 2008, the Financial Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company is assessing the impact of the conversion from Canadian generally accepted accounting principles to IFRS on the financial statements and will develop a conversion implementation plan.

3. Cash and cash equivalents

The balance at June 30, 2008, contains cash on deposit of \$1,043,048 (December 31, 2007 - \$1,753,741), and guaranteed investments certificates ("GIC") of \$Nil (December 31, 2007 - \$Nil).

4. Prepaid expenses and advances

As at June 30, 2008, the Company had advanced \$25,000 (December 31, 2007 - \$25,000) to a drilling contractor and \$Nil (December 31, 2007 - \$20,269) in respect of travel costs.



GLR Resources Inc.
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5. Other assets

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

	June 30 2008 \$	December 31 2007 \$
Advances to suppliers	4,926,735	2,997,893
Deferred financing costs	468,940	468,940
	5,395,675	3,466,833

As at June 30, 2008 the Company had made advances of \$4,926,735 (December 31, 2007 - \$2,997,893) to suppliers for commitments (*Note 15*) 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	5,036	-	790,497
Goldie, Ontario	430,402	68,049	-	498,451
Hurd McAuley, Ontario	457,237	27,475	-	484,712
Baldwin, Ontario	313,661	5,753	-	319,414
Kirkland West, Ontario	248,148	1,824	-	249,972
Martin Lake, Saskatchewan	127,243	-	-	127,243
Dubnick Triangle, Saskatchewan	144,623	-	-	144,623
General and other	252,113	3,623	-	255,736
	2,758,888	111,759	-	2,870,648

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	-	-
	50,000	-

GLR Resources Inc.
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7. Property, plant and equipment

	June 30, 2008			December 31, 2007		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Goldfields Mine						
Property	8,383,757	-	8,383,757	8,094,194	-	8,094,194
Buildings	1,161,373	-	1,161,373	708,852	-	708,852
Equipment	951,435	-	951,435	227,759	-	227,759
Corporate						
Exploration equipment	263,560	100,591	162,969	253,580	82,999	170,581
Office furniture and fixtures	100,943	43,201	57,742	99,756	36,890	62,866
	10,836,067	143,792	10,717,278	9,384,141	119,889	9,264,252

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.

	Six months ended June 30	
	2008	2007
	\$	\$
Transactions during the period:		
Exploration expenditures	125,325	134,143
Consulting fees	42,521	38,249
Administrative costs	11,697	11,229
Management fees earned	113,390	64,028
	As at June 30, 2008	As at December 31, 2007
	\$	\$
Related party advances and fees receivable:		
Management fees due from UCR	119,201	65,276
Other (non-interest bearing, no fixed terms of repayment)	9,542	32,211
	128,743	97,487
Related party payables included in:		
Accounts payable and accrued liabilities	9,102	37,565



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8. Related party transactions (continued)

Exploration expenditures were indirectly paid to the brother of the President, a director of the Company and the President of GLR. Consulting fees are comprised of fees paid to directors acting in their capacity as members of the Technical Advisory Committee and fees paid to the former Chief Financial Officer of the Company during the transition period. Administrative expense is comprised of rent paid to a company controlled by the President of the Company. GLR is entitled to a management fee calculated as a percentage of expenditures incurred on certain properties on which Uranium City Resources Inc. ("UCR") conducts exploration. UCR and GLR have two common directors and one common officer.

Other related party receivables are miscellaneous expense advances for which expense reports have not cleared at period end.

Accounts payable is comprised of amounts payable to officers of the Company for expenses incurred in the ordinary course of business.

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	\$
Balance at December 31, 2007	53,868,024	14,968,061
<i>Issued for:</i>		
Cash:		
Flow-through private placements	4,000,000	2,000,000
Less costs of issuance	-	(208,225)
Non-flow-through private placements	5,727,000	2,290,800
Less costs of issuance	-	(945,450)
Value of Broker Warrants issued	-	(339,000)
Balance at June 30, 2008	63,595,024	17,776,186



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

Details of the Private Placements completed for the six months ended June 30, 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 ⁽¹⁾	\$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.

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-

GLR Resources Inc.
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9. Capital stock (continued)

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 six months ended June 30, 2008 is as follows:

	Warrants #	Weighted average exercise price \$
Outstanding, December 31, 2007	7,277,339	0.63
Issued	3,715,950	0.58
Exercised	-	-
Cancelled	-	-
Expired	(2,298,000)	(0.60)
Outstanding, June 30, 2008	8,695,289	0.62

The outstanding warrants at June 30, 2008 to purchase Class A Voting Common Shares are as follows:

Month of Expiry	#	\$
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
	8,695,289	0.62

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 June 30, 2008 the Company had 1,959,502 (December 31, 2007–886,802) options available for issuance.



GLR Resources Inc.
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9. Capital stock (continued)

A continuity of the unexercised options to purchase Class A Voting Common Shares is as follows:

	2007	
	Weighted average exercise price (\$)	Options #
Outstanding at December 31, 2007	0.52	4,500,000
Transactions during the period:		
Exercised	-	-
Granted	-	-
Forfeited	-	-
Expired	(0.60)	(100,000)
Outstanding at June 30, 2008	0.52	4,400,000
Exercisable at June 30, 2008	0.53	3,620,000

The following table provides additional information about outstanding stock options at June 30, 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	2,255,000	3.6	0.60
\$0.31 - \$0.70	4,400,000	3.0	0.52

Subsequent June 30, 2008, an option was granted to an officer of the Company to acquire 100,000 Class A voting common shares at an exercise price of \$0.18 per share.

10. Contributed Surplus

	\$
Balance at December 31, 2007	3,017,072
Value of vesting options	41,007
Value of warrants issued	339,000
Value transferred on exercised options and warrants	-
Balance at June 30, 2008	3,397,079



GLR Resources Inc.
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As at and for the three and six months ended June 30, 2008 and 2007
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11. Management of Capital

The Company considers in its management of capital all components included in shareholders' equity. Its objectives are to ensure that the Company will continue to operate as a going concern in order to pursue the development of the Goldfield's Mine and other mineral properties, to sustain future development and growth as well as to maintain a flexible capital structure which optimizes the cost of capital at a acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue shares, seek debt financing, or acquire or dispose of assets. The Company, on approval from the Board of Directors, will make changes to its capital structure as deemed appropriate under specific circumstances.

Neither the Company nor its newly formed subsidiary are subject to any externally imposed capital requirements or debt covenants, except as disclosed in Note 13. There were no changes to the Company's approach to capital management during the three and six month periods ended June 30, 2008.

12. Summary of securities at June 30, 2008

Common shares outstanding	63,595,024
Unexercised options to acquire common shares	4,400,000
Unexercised warrants to acquire common shares	8,695,289
Fully diluted common shares outstanding	76,690,313

13. 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.

Subsequent to June 30, 2008, the Company entered into negotiations with Investec and Blackfish to extend the term of the Note. There can be no assurance that the Company will be successful in extending the term of the Note.

14. Future tax liability

The following shows the change in the future tax liability for the six months ended June 30, 2008:

	\$
Balance, January 1	460,000
Forgone future tax savings from renunciation of Canadian exploration expenditures to flow-through share subscribers	810,000
Future tax payable on unrealized gains on available-for-sale investments	14,688
Balance, June 30	1,284,688



GLR Resources Inc.
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15. Financial Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables, due from related parties, accounts payable and accrued liabilities and promissory note. Cash and cash equivalents are classified as held-for-trading and are carried at fair values on the balance sheet due to the short-term nature of these financial instruments. Amounts receivable, accounts payable and accruals and the promissory note approximate their fair values due to the relatively short periods to maturity.

The Company's financial instruments are exposed to certain financial risks including currency risk, credit risk, liquidity risk and market risk.

a) Currency risk

The Company operates solely in Canada and a significant portion of the Company's capital expenditures are denominated in the United States dollar and a significant portion of the Company's operating costs are denominated in the Canadian dollar. As a consequence, the Company is exposed to currency fluctuations relative to the United States dollar. A significant change in the currency exchange rate between the United States dollar and the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

Based on the Company's outstanding capital expenditure commitments, a 10% strengthening of the United States dollar against the Canadian dollar would increase capital expenditures by \$1.2 million.

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

Credit risk is the risk of unexpected financial loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held through a large Canadian financial institution partially guaranteed by the Government of Canada.

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

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) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 11 and continuously monitors its capital expenditures and cash used in operations. To the extent that the Company expects that it does not have sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions.

GLR Resources Inc.
Notes to the Financial Statements
As at and for the three and six months ended June 30, 2008 and 2007
(Expressed in Canadian dollars)

16. Supplementary cash flow information

	2008
	\$
Income taxes paid	-
Interest paid	45,903
Non-cash items	
Reclass of other assets to mining equipment	(98,838)
Reclass to mining equipment from other assets	98,838
Share issuance costs	1,149,000
Contributed surplus	380,007

17. Commitments and Contingencies

At June 30, 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 June 30, 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 June 30, 2008, the Company is committed to incur, prior to December 31, 2008, on a best efforts basis, approximately \$1,300,900 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. The Company must expend these on CEE before December 31, 2009.

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

Subsequent to June 30, 2008, Investec proposed to extend the mandate and proposed revised terms for the provision of USD 45 million Project Debt Facilities shall comprised of a) USD 35 million term loan; and b) a USD 10 million convertible loan. The provision of the Project Debt Facilities would be subject to completion of satisfactory due diligence and documentation.

Should GLR be willing to accept the provisions of this revised mandate confirming the terms upon which Investec is willing to arrange the Project Debt Facilities, GLR will be required to grant Investec five million share purchase warrants.

