



**Financial Statements**

**Years Ended**

**December 31, 2008 and 2007**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by management who when necessary, has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality. Management acknowledges its responsibility for the fairness, integrity and objectivity of all information in the financial statements.

As means of fulfilling its responsibility, management relies on the company's system of internal control. This system has been established to ensure, within reasonable limits, that the assets are safeguarded, transactions are properly recorded and are executed in accordance with management's authorization and that the accounting records provide a solid foundation from which to prepare the financial statements.

The Board of Directors carries out its responsibility for the financial statements principally through the Audit Committee, consisting solely of independent, non-management directors. The Audit Committee has a written mandate that complies with the requirements of Canadian securities legislation. This committee meets at least quarterly, reviews the scope of the external audit, the adequacy of the system of internal control and the appropriateness of the financial reporting and then makes its recommendations to the Board of Directors. Based on those recommendations, the Board of Directors approves the financial statements.

### Management's Assessment of Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of financial statements.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2008. Based on management's evaluation, management has concluded that the Company's internal control over financial reporting was effective as at that date.

parker simone LLP, an independent firm of chartered accountants was appointed by a vote of shareholders at the Company's last annual meeting to audit and provide independent opinions on the Company's financial statements as at December 31, 2008, as stated in their auditors' report. parker simone LLP has provided such opinions.



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Robert J. Kasner  
President and Co-Chief Executive Officer



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David J. Layman  
Co-Chief Executive Officer and Chief Financial Officer

January 25, 2010



## **parker simone LLP**

Chartered Accountants  
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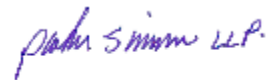
### **AUDITORS' REPORT**

To the Shareholders of  
GLR Resources Inc.

We have audited the balance sheets of GLR Resources Inc. as at December 31, 2008 and 2007 and the statements of operations and deficit, comprehensive loss, accumulated other comprehensive income and loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



January 25, 2010  
Mississauga, Ontario

Licensed Public Accountants

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

<i>As at December 31,</i>	<b>2008</b>	2007
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>(Note 3)</i>	114,963	1,753,741
Goods and services tax recoverable	4,106	68,414
Other receivables	3,948	-
Prepaid expenses and advances <i>(Note 4)</i>	-	45,629
Assets held for sale <i>(Note 6)</i>	300,001	13,000
Due from related parties <i>(Note 8)</i>	84,099	97,487
	<b>507,117</b>	1,978,271
<b>Investments</b> <i>(Note 2)</i>	25,089	112,776
<b>Property, plant and equipment</b> <i>(Note 7)</i>	6,970,944	9,264,252
<b>Mineral properties and deferred expenditures</b> <i>(Note 6)</i>	2,400,865	2,758,888
<b>Other assets</b> <i>(Note 5)</i>	-	3,466,833
	<b>9,904,015</b>	17,581,020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities <i>(Note 8)</i>	1,531,061	867,340
Promissory note payable <i>(Note 11)</i>	2,000,000	2,000,000
	<b>3,531,061</b>	2,867,340
<b>Long-term liabilities</b>		
Future income taxes <i>(Note 12)</i>	-	460,000
	-	460,000
	<b>3,531,061</b>	3,327,340
<b>Shareholders' equity</b>		
Capital stock <i>(Note 9)</i>	17,764,186	14,968,061
Contributed surplus <i>(Note 10)</i>	3,415,474	3,017,072
Accumulated deficit	(14,797,182)	(3,794,929)
Accumulated comprehensive income (loss)	(9,524)	63,476
	<b>6,372,954</b>	14,253,680
	<b>9,904,015</b>	17,581,020

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

Approved by the Board:

"Robert J. Kasner"  
 Robert J. Kasner  
 Director

"John F. Cook"  
 John F. Cook  
 Director

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

<i>Years Ended December 31,</i>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b>		
Management fees <i>(Note 8)</i>	331,539	166,007
Interest	37,883	50,625
	<b>369,422</b>	<b>216,632</b>
<b>Operating Expenses</b>		
Interest and financing costs	861,537	965,045
Office and general <i>(Note 8)</i>	262,950	301,896
Public relations	56,160	191,957
Professional fees	345,430	236,384
Shareholder information	47,892	57,509
Consulting	246,290	191,014
Management fees, salaries and benefits	786,415	172,351
Write-down of mineral properties and deferred exploration expenditures <i>(Note 6)</i>	2,930,538	-
Write-off of supplier deposits <i>(Note 5)</i>	4,929,735	-
Write-down of property, plant and equipment	1,631,698	-
Write-off of deferred finance charges	468,940	-
Loss on disposal of equipment	-	191,923
Stock-based compensation	59,402	712,182
	<b>12,626,987</b>	<b>3,020,261</b>
<b>Net loss before taxes</b>	<b>(12,257,565)</b>	<b>(2,803,629)</b>
Future income tax recoveries <i>(Note 12)</i>	1,255,312	529,700
<b>Net loss for the year</b>	<b>(11,002,253)</b>	<b>(2,273,930)</b>
Deficit at beginning of year	(3,794,929)	(1,520,999)
<b>Deficit at end of year</b>	<b>(14,797,182)</b>	<b>(3,794,929)</b>
<b>Net loss per share—basic and fully diluted</b>	<b>(0.18)</b>	<b>(0.05)</b>
<b>Weighted average number of shares (000's) – basic and fully diluted</b>	<b>62,112</b>	<b>39,112</b>

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

**GLR Resources Inc.**  
**Statements of Comprehensive Income (Loss)**  
**and Accumulated Other Comprehensive Income (Loss)**  
*(Canadian Dollars)*

<i>Year Ended December 31,</i>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Net loss	(11,002,253)	(2,273,930)
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	(73,000)	63,746
<b>Total comprehensive loss</b>	<b>(11,075,253)</b>	<b>(2,210,454)</b>

<i>Accumulated other comprehensive income (loss) as at December 31,</i>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Accumulated other comprehensive income, beginning of year</b>	63,476	-
Unrealized gain (loss) on available-for-sale securities	(73,000)	63,476
<b>Accumulated other comprehensive income (loss), end of year</b>	<b>(9,524)</b>	63,476

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

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

<i>Year Ended December 31,</i>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Operations</b>		
Net income (loss)	(11,002,253)	(2,273,930)
Adjustments to reconcile net income (loss) to cash flow from operating activities:		
Amortization	30,253	6,604
Write-down of mineral properties and deferred exploration expenditures	2,930,538	-
Write-off of deposits held by suppliers	4,929,735	-
Write-down of property, plant and equipment	1,631,698	-
Write-off of deferred finance charges	468,940	-
Loss on disposal of equipment	-	191,923
Stock-based compensation	59,402	712,182
Value of warrants issued as payment for interest and financing fees <i>(Note 11)</i>	-	858,300
Future income taxes (recoveries)	(1,255,312)	(529,700)
Net change in non-cash working capital items:		
GST recoverable	64,308	(56,476)
Other receivables	(3,948)	-
Prepaid expenses and advances	45,629	(20,629)
Assets held for sale	13,000	-
Due from related parties	13,388	-
Accounts payable and accrued liabilities	663,721	814,657
<b>Cash flow used in operating activities</b>	<b>(1,410,901)</b>	<b>(297,069)</b>
<b>Financing</b>		
Issuance of common share (net of issuance costs)	3,945,125	5,891,786
(Decrease)/increase in related party receivables	-	173,199
Promissory note payable	-	2,000,000
Deferred financing costs <i>(Note 5)</i>	-	(29,597)
<b>Cash flow from financing activities</b>	<b>3,945,125</b>	<b>8,035,388</b>
<b>Investments</b>		
Expenditures on resource assets and mineral properties	(424,768)	(634,781)
Property, plant and equipment	(1,720,554)	(4,148,916)
Advances to suppliers <i>(Note 5)</i>	(2,027,680)	(2,997,893)
<b>Cash flow used in investing activities</b>	<b>(4,173,002)</b>	<b>(7,781,590)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,638,778)</b>	<b>(43,271)</b>
Cash and cash equivalents at beginning of year	1,753,741	1,797,012
<b>Cash and cash equivalents at end of year</b>	<b>114,963</b>	<b>1,753,741</b>
Supplemental information (Note 17)		

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

**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**1. Nature of Operations and Going Concern**

***Nature of Operations***

GLR Resources Inc. (“GLR” or the “Company”) is a federally incorporated company. GLR 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 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.

***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 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, all of which are uncertain.

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.

***Restructuring***

During October 2007, GLR executed a promissory note (the “Note”) providing for the repayment of \$2 million dollars to Blackfish Capital (Master) Fund 1 SPC (“Blackfish”). The Note was secured by the assets of GLR. On March 30, 2009, the Company entered into a forbearance agreement with Blackfish as its cash on hand was insufficient to meet its current obligations. The forbearance agreement allowed GLR time to develop a restructuring plan to address debt, capital and cost structures in the best interest of all its stakeholders.

On January 7, 2009, shares of the Company were de-listed from trading on the Toronto Stock Exchange for failure to meet continued listing requirements. On April 27, 2009, the Ontario Securities Commission issued a permanent cease trade order that halted all trading in and all acquisitions of securities of GLR for failing to file continuous disclosure materials as required by Ontario securities law. This had the effect of severely limiting the Company’s ability to raise funds in already distressed capital markets.

On May 26, 2009, GLR announced that it had entered into a definitive purchase and sale agreement with Linear Gold Corp. (“Linear”) to sell its 100% interest in the Goldfields Mine, including the Box and Athona deposits, contiguous exploration property and plant and equipment (See also Notes 14 and 16). Following court approval of this transaction on August 18, 2009, the sale closed on August 20, 2009. Upon closing of the transaction, Linear paid US\$5.0 million, in cash, and issued 727,272 common shares of Linear.

On May 29, 2009, the Company filed a Notice of Intention with the Official Receiver to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (“BIA”). Paddon + Yorke Inc. (“PYI” or the “Trustee”) was



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**1. Nature of Operations and Going Concern (continued)**

appointed as proposal trustee under the BIA proceeding. GLR filed its proposal on June 5, 2009 and, subsequently filed certain amendments to the proposal on July 20, 2009 (the "Proposal"). The Proposal is governed by and construed in accordance with the laws of Ontario and the federal laws of Canada.

On August 18, 2009, the Court approved the Proposal and the sale of the Goldfields assets to Linear ("Transaction"). In addition and subject to certain conditions, GLR will receive post-closing reimbursement of deposits made by GLR in respect of certain equipment contracts which were assigned to a wholly-owned subsidiary of Linear as part of the Transaction. The Transaction closed on August 20, 2009.

After adjustments, Blackfish together with the unsecured creditors of GLR were fully repaid out of the Proposal proceeds and GLR was placed in a debt-free position (See Note 16) and provided it with the ability to move forward with its other prospective projects.

**2. Summary of Significant Accounting Policies**

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year, except as described below. Outlined below are those policies considered particularly significant.

***Revenue Recognition***

The Company recognizes management revenue as earned as per an agreement between GLR and Strategic Resources Inc. ("SRI", formerly Uranium City Resources Inc.). Interest revenue is accrued as earned.

***Investments***

The investments include 835,121 shares of RJK Explorations Inc. ("RJK") and 136 shares of SRI, both publicly-traded Canadian companies listed on the TSX-V. As at December 31, 2008, these available-for-sale investments have been measured at their fair value, as determined by the closing price of the securities on the TSX-V on December 31, 2008, resulting in a decrease of \$85,832 (2007-an increase of \$75,146) in these investments, a corresponding decrease in accumulated other comprehensive income of \$73,000 and a corresponding increase in accumulated other comprehensive income of \$63,476 and a future income tax liability of \$11,700 for the year ended December 31, 2007.

***Flow-Through Common Shares***

The Company has financed a portion of its exploration activities in Canada through the issue of flow-through shares, which transfers the tax deductibility of Canadian exploration expenditures to the investor. Proceeds received on the issue of such shares are credited to capital stock. The related exploration costs, when incurred, are charged to mining and resource properties.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The tax benefit forgone on renunciation of Canadian exploration expenditures to investors is charged to capital stock as a cost of equity financing when such amounts are renounced.



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**2. Summary of Significant Accounting Policies (continued)**

***Mineral Properties***

The exploration activities of the Company are directed towards the search, evaluation and development of mineral properties. Major expenditures are required to locate and establish ore reserves to develop metallurgical processes and to construct mining and processing facilities at a particular site.

The recoverability of values assigned to mineral interests is dependent upon discovery of economically recoverable reserves, confirmation of the Company's interest in the mineral claims, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. Management reviews the carrying value of the Company's interest in each property on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and, where necessary, these properties are written down to their estimated recoverable amount. It is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the need for, as well as the amount of, provision for impairment in the carrying value of mineral interests and related assets.

The cost of acquisition of mineral interests and related exploration costs are deferred until the properties to which they relate are placed into production, sold or allowed to lapse or exploration activity on the relevant property has been dormant for three years. These costs will be amortized over the estimated useful life of the properties following commencement of commercial production. The Company does not accrue future costs to keep the properties in good standing. Administrative expenditures, not directly related to property maintenance, are charged to operations as incurred.

The Company recognizes government assistance in the form of mineral exploration and mining tax credits when the amounts to be received can be reasonably estimated and collection can be reasonably assured. The amount of mineral exploration and mining tax credit reduces the Company's capitalized mineral property costs.

***Property, Plant and Equipment***

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the declining basis at rates varying from 10% to 30% per year. Mining Assets are recorded at cost less accumulated amortization. Amortization is to be provided on these items using a unit-of production basis over their estimated useful lives. The cost will be written down when a permanent decline in their value has occurred, and will be written off if abandoned. There has been no amortization recorded on these assets as the Company has not started commercial production.

***Income Taxes***

GLR follows the liability method of accounting for income taxes. Under the liability method of tax allocation, future income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the substantially enacted tax rates in which the income tax assets and liabilities are expected to be settled or realized. A valuation allowance has been provided to the extent that it is more likely than not that future income tax assets will not be realized.

***Net Loss per Share***

Net loss per share is calculated based on the weighted average number of shares issued and outstanding during the quarter or year, as appropriate. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and

**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**2. Summary of Significant Accounting Policies (continued)**

diluted losses per share are the same. When fully-diluted loss per share is calculated, only those options and warrants with average exercise prices “in-the-money” are included.

***Issuance of Options and Warrants***

GLR records employee stock-based compensation and warrant issuances using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the equity instruments issued and are amortized over the vesting period. The offset to stock-based compensation is recorded to contributed surplus. Contributed surplus is relieved of these costs when the options or warrants associated with the contributed surplus are exercised.

The Company uses the Black-Scholes option pricing model to determine the value of all issued options and warrants. The table below summarizes the weighted average factors used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2008 and 2007.

The weighted-averages used in the Black-Scholes option pricing method were as follows:

	<b>2008</b>	<b>2007</b>
Dividend Yield	-	-
Expected volatility	63.0%	100.5%
Risk-free interest rate	3.4%	4.1%
Expected life (years)	3	2

***Asset Retirement Obligations***

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred. Also, when the liability is initially recorded, a corresponding increase in the carrying amount of the related asset is recorded.

On an annual basis, the liability is increased by the interest factor that was applied in the initial measurement of fair value and the asset is amortized over the estimated life of the related asset. The amount of the liability will be subject to re-measurement at the end of each reporting period. Any adjustment to this liability will impact the related asset. As at December 31, 2008 and 2007, the Company had no asset retirement obligations.

***Impairment of Long-Lived Assets***

Senior management periodically reviews the carrying value of mineral properties and deferred exploration costs to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent the net book value of the investment exceeds the estimated fair value, which is normally the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered and provides for impairment if so indicated, by reducing the carrying value of the property to its estimated fair value.

***Measurement Uncertainty***

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates. Significant estimates and assumptions include those related to the recoverability of



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**2. Summary of Significant Accounting Policies (continued)**

long-lived assets and future tax assets, estimated useful lives of capital assets, determinations as to whether costs are expensed or deferred and stock-based compensation valuation assumptions. Management believes these estimates to be reasonable.

GLR is subject to all of the risks normally associated with mining activities. Changes in estimates and assumptions will occur based on additional information and the occurrence of future events.

**Cash and cash equivalents**

Cash and cash equivalents include cash on deposit (as at December 31, 2008 and 2007).

**Changes in Accounting Policies**

**i) Capital Disclosures and Financial Instruments**

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. All three Sections are applicable for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 on financial instrument disclosures, places an increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. The new section removes duplicative disclosures and simplifies the disclosures relating to concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. These new standards became effective for the Company on January 1, 2008. The Company has included the required disclosures in Notes 13 and 15 of these financial statements.

**(ii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company has determined that there has been no material impact from this new accounting standard on its financial statements.

**Future Accounting Changes:**

**i) International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB's strategic plan outlines the convergence of Canadian GAAP with IFRS over a five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will be required to adopt IFRS on January 1, 2011. The transition will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun to assess the adoption of IFRS for fiscal 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**2. Summary of Significant Accounting Policies (continued)**

**(ii) Business Combinations**

In January 2009, the CICA issued the new handbook Section 1582, Business Combinations, effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquire and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of adopting this pronouncement on its financial statements, it is expected to be limited to any future acquisitions beginning in fiscal 2011.

**(iii) Goodwill and Intangible Assets**

In February 2008, the CICA issued a new accounting standard: Handbook Section 3064, Goodwill and Intangible Assets. These standards become effective for interim and annual financial statements for the Company's reporting periods beginning on January 1, 2009. The impact of adopting this pronouncement on its financial statements is expected to be limited to any future acquisitions.

**(iv) Consolidated Financial Statements and Non-controlling Interests**

In January 2009, the CICA issued the new handbook Section, 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with IFRS. Section 1601 and 1602 change the accounting and reporting for ownership interest in the subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within the entity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of operations. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is de-consolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is considering the impact of adopting these pronouncements on its financial statements in fiscal 2011 in connection with the conversion to IFRS.

**3. Cash and cash equivalents**

The balance at December 31, 2008, contains cash on deposit of \$114,963 (2007 - \$1,753,741) and no cash equivalents.

**4. Prepaid expenses and advances**

As at December 31, 2008, the Company had advanced \$Nil (2007 - \$25,000) to a drilling contractor and \$Nil (2007 - \$20,629) in respect of travel costs.



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**5. Other assets**

At December 31, other assets are comprised of:

	2008	2007
	\$	\$
Advances to suppliers	-	2,997,893
Deferred financing costs	-	468,940
	-	3,466,833

In February 2006, the Company entered into an agreement with Investec Bank (UK) Limited (“Investec”) for the provision of project financing services for its Goldfields project. Under the terms of the agreement, Investec would arrange and underwrite the project debt (the “Facilities”) for the Goldfields project. As compensation for its services under the agreement, an arranging fee of 2.5% of the amount of the Facilities was to be paid to Investec. A monthly advance commencing in January of 2006 and ending in January of 2007 of US\$25,000 was paid to Investec with such amount, in total, to be deducted from the arranging fee upon completion of the Facilities. As at December 31, 2007, GLR had paid US\$300,000 to Investec. In addition, Investec was issued 250,000 common shares of the Company valued at \$125,000 in 2006. These costs were deferred and recorded as an asset on the balance sheet of the Company to be amortized over the life of the project financing, once completed.

As at December 31, 2008, the Company had made advances of \$4,929,735 (2007 - \$2,997,893) to suppliers for commitments entered into with suppliers for construction of a process plant and refinery, crushing plant, certain mining equipment and trucks and engineering design services. Subsequent to December 31, 2008, Blackfish served notice of intention to enforce its security (See Notes 11 and 16) to seek repayment of its Note. Consequently, the Company was unable to complete the acquisition of assets and wrote-off the amount of the advances.

Pursuant to the Proposal, GLR has no remaining obligations to the suppliers. Reference is made to Notes 1, 14 and 16.

**6. Mineral Properties and Deferred Expenditures**

The following table summarizes the Company’s mineral properties and deferred expenditures for the year ended December 31, 2008:

	Opening Balance (\$)	Additions (\$)	Adjustments and disposals (\$)	Net (\$)
Stares, Ontario	785,461	5,261	-	790,722
Goldie, Ontario	430,402	68,117	-	498,519
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)	-
Golden Pond, Saskatchewan	32,269	309,219	-	341,488
Dubnick Triangle, Saskatchewan	144,623	20,000	(164,623)	-
General and other	219,844	4,687	(23,781)	200,750
	2,758,888	442,336	(800,359)	2,400,865



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**6. Mineral Properties and Deferred Expenditures (continued)**

The following table summarizes the Company's mineral properties and deferred expenditures for the year ended December 31, 2007:

	Opening Balance (\$)	Additions (\$)	Adjustments and disposals (\$)	Net (\$)
Stares, Ontario	700,170	85,291	-	<b>785,461</b>
Goldie, Ontario	71,548	358,854	-	<b>430,402</b>
Hurd McCauley, Ontario	409,127	48,110	-	<b>457,237</b>
Baldwin, Ontario	274,287	39,374	-	<b>313,661</b>
Kirkland West, Ontario	240,709	7,439	-	<b>248,148</b>
Martin Lake, Saskatchewan	92,523	34,720	-	<b>127,243</b>
Golden Pond, Saskatchewan	29,509	2,760	-	<b>32,269</b>
Dubnick Triangle, Saskatchewan	91,039	53,584	-	<b>144,623</b>
General and other	203,445	16,399	-	<b>219,844</b>
	<b>2,112,357</b>	<b>646,531</b>	<b>-</b>	<b>2,758,888</b>

Effective January 9, 2009, GLR sold its Hurd McCauley property for \$300,000 in cash. The carrying value of the property was written down to the amount realized on its sale and recorded as an asset held for sale. In addition, the purchasers agreed to assume the underlying royalty obligation and to pay GLR a 2% net smelter royalty on future production.

Under its mineral properties option agreements, the Company is required to make a \$50,000 payment in respect of the Dubnick Triangle. This payment was deferred until the transaction with Linear closed.

**7. Property, Plant and Equipment**

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
<b>Goldfields Mine</b>						
Property	6,029,536	-	<b>6,029,536</b>	8,094,194	-	8,094,194
Buildings	898,150	-	<b>898,150</b>	708,852	-	708,852
Equipment	15,000	-	<b>15,000</b>	227,759	-	227,759
<b>Corporate</b>						
Exploration equipment	20,000	-	<b>20,000</b>	253,580	82,999	170,581
Office furniture and fixtures	36,776	28,518	<b>8,258</b>	99,756	36,890	62,866
	<b>6,999,462</b>	<b>28,518</b>	<b>6,970,944</b>	<b>9,384,141</b>	<b>119,889</b>	<b>9,264,252</b>

There was no amortization recorded on the Goldfields mine assets as the Company did not start commercial production.



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**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.

	<b>2008</b>	<b>2007</b>
Transactions during the year:	<b>\$</b>	<b>\$</b>
Exploration expenditures	52,683	213,250
Consulting fees	362,618	131,565
Administrative costs	22,245	22,450
Management fees earned	331,539	166,007
Related party advances and fees receivable:	<b>\$</b>	<b>\$</b>
Management fees	76,720	65,276
Other (non-interest bearing, no fixed terms of repayment)	7,379	32,211
	<b>84,099</b>	<b>97,487</b>
Related party payables included in:	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	43,061	2,326

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. During 2008, UCR and GLR had two common directors and one common officer. The management agreement with UCR was terminated effective December 31, 2008.

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 fees and 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.



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**9. Capital Stock (continued)**

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

	Number of Shares	\$
<b>Balance at December 31, 2006</b>	<b>42,704,206</b>	<b>9,292,497</b>
Issued for:		
Cash: Private placements (net of issuance costs of \$298,561)	5,346,500	3,504,604
Options exercised	235,000	101,000
Warrants exercised	5,132,420	2,166,211
Broker warrants exercised	424,898	119,971
Mineral properties	25,000	11,750
Future income taxes	-	(559,000)
Value of Broker Warrants issued	-	(79,200)
Value transfer of exercised warrants and options	-	410,228
<b>Balance at December 31, 2007</b>	<b>53,868,024</b>	<b>14,968,061</b>
Issued for:		
Cash: Private placements (net of issuance costs of \$345,675)	9,727,000	3,945,125
Future income taxes	-	(810,000)
Value of Broker Warrants issued	-	(339,000)
<b>Balance at December 31, 2008</b>	<b>63,595,024</b>	<b>17,764,186</b>

The 2007 share issue costs consist of fees paid to the agent at 6% of the gross proceeds raised (\$3,000,000) totalling \$180,000, together with disbursement recoveries of \$18,000 and legal costs of \$55,561 and \$45,000 finder's fee paid regarding the \$1.5 million financing.

The 2008 share issue costs consist of fees paid to the participating agents at 6% of the gross proceeds raised (\$4,290,800) totalling \$256,680 and legal costs of \$88,995



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**9. Capital Stock (continued)**

Details of the Private Placements completed for the year ended December 31, 2008:

Month of issuance	February/March-08	February/March-08
Type of security issued	Units	Flow-through shares
Number of shares Issued	5,727,000	4,000,000
Number of units issued to unit holders	5,807,400	-
Number of Agent Units issued	541,500	-
Gross cash proceeds	\$2,290,800	\$2,000,000
Units entitle holders to:		
Common shares	5,727,000	-
Common share purchase warrants	2,512,500	-
Exercise price of one full purchase warrant	\$0.60	-
Agent Units entitle holder to acquire:		
Common shares	541,500	-
Agent Unit warrants	541,500	-
Exercise price of Agent Unit warrant	\$0.44	-
Agent Units entitle holder to acquire:		
Common shares	270,750	-
Exercise price of Agent Unit warrant	\$0.60	-
Expiry date of warrants	Feb-Mar-10	-

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 on 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.



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**9. Capital Stock (continued)**

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 finders' fee 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.

Details of the Private Placements completed for the year ended December 31, 2007:

Month of issuance	September-07	September-07	November-07
Type of security issued		Flow-through Shares	Flow-through Shares
No. Issued	96,500	1,500,000	3,750,000
No. of broker warrants issued	-	-	225,000
Gross cash proceeds	\$53,075	\$750,000	\$3,000,000
Broker warrants entitle holders to:			
Common shares	-	90,000	225,000
Exercise price	-	\$0.65 <sup>(1)</sup>	\$0.80
Expiry date of warrants	-	Sep-09	May-09

(1) These warrants were exercisable at \$0.65 for the first 12 months from and then \$1.00 for the remaining 12 months from closing.

**Warrants**

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

Month of Expiry	No. of Warrants	Exercise Price \$
May 2009	225,000	0.80
September 2009	90,000	0.70
February 2010	3,324,750	0.60
March 2010	391,200	0.60
	<b>4,030,950</b>	<b>0.61</b>



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**9. Capital Stock (continued)**

**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 December 31, 2008 the Company had 3,409,502 (2007 – 886,802) options available for issuance. A continuity of the unexercised options to purchase Class A Voting Common Shares is as follows:

	<b>2008</b>		<b>2007</b>	
	<b>Weighted Average Exercise Price (\$)</b>	<b>No. of Options</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>No. of Options</b>
Outstanding at beginning of year	0.52	4,500,000	0.49	3,505,000
Transactions during the year:				
Exercised	-	-	0.43	(235,000)
Granted	0.18	100,000	0.56	1,555,000
Forfeited	-	-	0.55	(225,000)
Expired	0.51	(1,650,000)	0.35	(100,000)
<b>Outstanding at end of year</b>	<b>0.52</b>	<b>2,950,000</b>	0.52	4,500,000
<b>Exercisable at end of year</b>	<b>0.52</b>	<b>2,850,000</b>	0.52	4,020,000

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

<b>Range of Exercise Prices</b>	<b>No. of Options Outstanding</b>	<b>Weighted Average Remaining Life (Years)</b>	<b>Weighted Average Exercise Price (\$)</b>
\$0.18	100,000	4.6	0.18
\$0.31 - \$0.50	1,245,000	2.1	0.46
\$0.51 - \$0.70	1,605,000	3.3	0.58
<b>\$0.18 - \$0.70</b>	<b>2,950,000</b>	<b>2.9</b>	<b>0.52</b>



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**10. Contributed Surplus**

	\$
<b>Balance at December 31, 2006</b>	1,777,618
Value of options issued	712,182
Value of broker warrants issued	937,500
Value transferred on exercised warrants	(410,228)
<b>Balance at December 31, 2007</b>	<b>3,017,072</b>
Value of options issued	59,402
Value of warrants issued	339,000
Value transferred on exercised options and warrants	-
<b>Balance at December 31, 2008</b>	<b>3,415,474</b>

**11. Promissory Note**

On October 31, 2007, the Company executed a secured promissory note (the "Note") providing for the repayment of \$2 million dollars to Blackfish, a fund related to Investec. The Note bore interest, payable at the end of each month, at LIBOR plus 0.5% per 30-day period and matured on October 30, 2008. The Note was secured by all the tangible personal property, assets and rights of the Company.

Under the terms of the Note, the Company issued 3,389,830 warrants to Blackfish. Each warrant entitled the holder to 1 common share of the Company for \$0.59 until October 31, 2008. The warrants, which expired unexercised, were valued at \$858,300 using the Black-Scholes option pricing model with a risk-free rate of 4.23%, expected volatility of 99.57% and expected life of 1 year. In addition, the Company paid an arrangement fee of \$89,054 and legal fees of \$51,848.

On January 13, 2009, Blackfish issued a *Notice of Intention to Enforce Security* pursuant to the BIA and demanded repayment of the Note, interest accrued thereon plus expenses incurred in enforcing collection on the Note. The Company entered into negotiations with Blackfish which resulted in the Company and Blackfish entering into a forbearance agreement on March 30, 2009. The forbearance agreement provided that Blackfish forbear from exercising its rights and remedies against the Company in order to permit the Company and Blackfish, in consultation with Investec, to conduct a sales process to sell the Company's assets to purchasers to generate proceeds to pay the obligations owing by the Company to Blackfish and other indebtedness, or to otherwise restructure the Company's affairs to generate cash proceeds to retire the Company's indebtedness. (See Note 16).

**12. Income Taxes**

The Company has \$7,728,000 (2007 - \$8,692,000) of unused CEE and CDE expenses available to offset future taxable income. The tax benefits pertaining to these expenses are available to carry forward indefinitely. The Company also has \$2,023,000 (2007 - \$472,900) of loss carry-forwards and financing costs available to offset future taxable income. The tax benefits pertaining to these expenses are available to carry-forward for 20 years.

GLR's future income tax asset in 2008 and liability for 2007 results from the tax effects of temporary differences between the book value of its mineral properties capitalized for accounting purposes and the amount capitalized for income tax purposes.



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**12. Income Taxes (continued)**

***Future Income Taxes Recoverable***

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

	December 31, 2008	December 31, 2007
	(\$)	(\$)
Expected income tax (recovery) loss at federal and provincial statutory rates	(4,106,284)	(869,100)
Change in tax rates	(490,219)	(59,200)
Financing costs	139,963	(92,600)
Expenses capitalized for tax purposes	1,730,585	-
Recognition of tax asset not previously recognized	(1,255,312)	-
Share issue costs	(1,255,312)	-
Write down of mineral properties, property, plant, equipment	1,528,347	-
Stock-based compensation	19,900	220,800
Value of warrants issued as payment for interest and financing fees	-	266,100
Other	(13,650)	4,300
Change in valuation allowance	2,446,670	-
<b>Future income taxes recoveries</b>	<b>(1,255,312)</b>	<b>(529,700)</b>

***Future Income Tax Liability***

The tax effects of temporary differences that give rise to the future tax assets and liabilities are:

	December 31, 2008	December 31, 2007
	(\$)	(\$)
<b><i>Future income tax assets:</i></b>		
Mineral property, plant and equipment	1,452,112	-
Financing arrangements	260,554	113,000
Loss carryforwards	586,568	53,000
Unrealized losses on "available-for-sale" investments	147,436	-
<b><i>Future income tax liability:</i></b>		
Mineral properties, plant and equipment	-	(626,000)
Future income tax asset (liability) before valuation allowance	2,446,670	(460,000)
Valuation allowance	(2,446,670)	-
	-	(460,000)



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**13. Financial Instruments**

The Company's financial assets and liabilities consist of cash, accounts receivable, prepaids and advances, due from related parties, accounts payable and accrued liabilities and note payable. Cash is classified as held-for-trading and is carried at fair value. Amounts due from related parties and prepaids and advances are classified as loans and receivables at amortized cost. Accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity. Accounts payable and accrued liabilities and note payable are classified as other financial liabilities, which are measured at amortized cost.

The carrying amounts of the Company's financial assets and liabilities approximate fair values because of the limited term of these instruments.

The Company's financial instruments are exposed to certain financial risks.

**a) Currency risk**

The Company operates solely in Canada; however, a 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 would affect the realizable amount of the United States dollar proceeds realized on the sale of assets to Linear and, consequently, the results of operations, financial position and cash flows. The Company has not hedged its exposure to the United States dollar.

**b) Interest rate risk**

The amount due to Blackfish bears interest at 30-day LIBOR plus 0.5%. Sensitivity to a plus or minus 1% change in interest rates could affect the Company's net loss by approximately \$20,000.

The Company is not exposed to any other significant interest rate risk due to the short-term maturity of its monetary assets and liabilities and protection provided during the restructuring period.

**c) Credit risk**

The Company is exposed to credit risk as a consequence of its restructuring under the BIA. The ability of the Company to finance its operations will be affected by its credit rating and perception in the marketplace that the Company cannot finance development and exploration of its prospects.

**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 come due. The Company manages liquidity risk through the management of its capital structure and continuously monitors its capital expenditures and cash used in operations. To the extent that the Company does not have sufficient liquidity to meet its obligations, management will consider securing additional funds through



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**13. Financial Instruments (continued)**

debt or equity transactions. At December 31, 2008, credit risk magnified the liquidity risk that certain suppliers may not provide future services.

**f) Price risk**

Price risk is remote as the Company is not a producing entity.

**14. Commitments and Contingencies**

As at December 31, 2008, the Company is committed to incur, prior to December 31, 2009, on a best efforts basis, \$2,000,000 in qualifying Canadian exploration expenditures ("CEE") pursuant to private placements for which flow-through proceeds had been received during February and March 2008 and renounced to the subscribers with an effective date of December 31, 2008. During February 2010, the Company filed the appropriate tax forms with Canada Revenue Agency that it had completed the qualified CEE expenditure using the "look-back" rules.

Pursuant to the Proposal to creditors and approval by the Court of the Company's restructuring plan, all creditors were paid during September 2009, except those claims which were disallowed by the Trustee. One creditor, who is a former officer of the Company, has appealed the disallowance of his claim for severance, punitive damages and reimbursement of legal costs. The Company believes the claim is without merit. The trustee will oppose his appeal. The claim amount for severance has been accrued in the accounts. The Trustee has set aside an amount from the proceeds realized from the Transaction with Linear that is considered adequate to settle the claim.

The Transaction with Linear anticipates partial reimbursement of deposits made to certain suppliers for which reimbursement is dependent on Linear taking delivery of the related plant and equipment. Pursuant to agreements negotiated with Linear, the Company may receive approximately \$998,000 and US\$1.8 million at future dates. Terms of the Transaction with Linear resulted in Linear assuming GLR's contractual obligations to two major suppliers. On December 31, 2009, GLR received a \$300,000 reimbursement from Linear. The remaining amounts will be reimbursed to GLR once the related equipment is available for delivery from the respective suppliers. Reimbursements will be recognized in the accounts when received.

**15. Management of Capital**

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

The Company is subject to certain externally imposed capital restraints and debt obligations. On January 7, 2009, shares of the Company were de-listed from trading on the Toronto Stock Exchange for failure to meet continued listing requirements. On April 27, 2009, the Ontario Securities Commission issued a permanent



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**15. Management of Capital (continued)**

cease trade order that halted all trading in and all acquisitions of securities of GLR for failing to file continuous disclosure materials as required by Ontario securities law. Until the Company causes the Ontario Securities Commission to lift the permanent cease trade order the Company does not have the ability to enter the equity market. (See Note 1).

**16. Subsequent Events**

On January 7, 2009, shares of the Company were de-listed from trading on the Toronto Stock Exchange for failure to meet continued listing requirements. On April 27, 2009, the Ontario Securities Commission issued a permanent cease trade order that halted all trading in and all acquisitions of securities of GLR for failing to file continuous disclosure materials as required by Ontario securities law.

On January 13, 2009, Blackfish issued a *Notice of Intention to Enforce Security* pursuant to the BIA and demanded repayment of the Note, interest accrued thereon plus expenses incurred in enforcing collection on the Note. (See Notes 1 and 14).

On March 10, 2009, in response to the Blackfish demand for repayment of the Note, GLR applied for protection from its creditors pursuant to the *Companies' Creditors Arrangement Act* (Canada) ("CCAA"). The CCAA filing was intended to prevent Blackfish from seizing the Company's assets and liquidating the Company when management and the board believed that greater value could be obtained for all stakeholders through an orderly sale process or recapitalization transaction. The CCAA application, originally returnable March 11, 2009, was adjourned several times pending further discussion with Blackfish which negotiations resulted in GLR and Blackfish entering into a forbearance agreement effective March 30, 2009. The forbearance agreement provided that Blackfish forbear from exercising its rights and remedies against the Company in order to permit the Company and Blackfish, in consultation with Investec, to conduct a sales process to sell the Company's assets to purchasers to generate proceeds to pay the obligations owing by the Company to Blackfish and other indebtedness, or to otherwise restructure the Company's affairs to generate cash proceeds to retire the Company's indebtedness. The CCAA application was eventually dismissed at the same time as the Proposal was approved pursuant to the BIA.

On May 26, 2009, GLR announced that it had entered into a definitive purchase and sale agreement with Linear to sell its 100% interest in the Goldfields Mine, including the Box and Athona deposits, contiguous exploration property and plant and equipment (See also Notes 6 and 7). Following court approval of this transaction on August 18, 2009, the sale closed on August 20, 2009. Upon closing of this transaction, GLR received US\$5.0 million, in cash, and 727,272 common shares of Linear.

On May 29, 2009, the Company filed a Notice of Intention with the Official Receiver to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* ("BIA"). Paddon + Yorke Inc. ("PYI") or the "Trustee" was appointed as proposal trustee under the BIA proceeding. GLR filed its proposal on June 5, 2009 and subsequently filed certain amendments to the proposal on July 20, 2009 (the "Proposal"). The Proposal is governed by and construed in accordance with the laws of Ontario and the federal laws of Canada.

On August 18, 2009, the Court approved the Proposal and the sale of its Goldfields assets to Linear. In addition and subject to certain conditions, GLR may receive post-closing reimbursement of deposits, aggregating approximately \$2.8 million, made by GLR in respect of certain equipment contracts which were assigned to a wholly-owned subsidiary of Linear as part of the Transaction. The Transaction closed on August 20, 2009. Due to uncertainty with respect to receipt and timing of reimbursement of the deposits, the Company will recognize reimbursements when received.



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**Years ended December 31, 2008 and 2007**

**16. Subsequent Events (continued)**

After adjustments, the creditors of GLR were fully repaid out of the Proposal proceeds which resulted in GLR being substantially debt-free (See Notes 1, 11 and 14) with the ability to advance its other prospective exploration projects.

**17. Supplemental Cash Flow Information**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Income taxes paid	-	-
Interest paid	<b>87,007</b>	-
Future income taxes-		
Future tax benefit forgone by issuance of flow-through shares	<b>810,000</b>	
Capital stock-		-
Warrants issued for financial services	<b>(339,000)</b>	(937,500)
Future income taxes	<b>(810,000)</b>	(559,000)
Warrants exercised	-	410,228
Contributed surplus-		
Warrants issued for financial services	<b>339,000</b>	937,500
Stock options issued	<b>59,402</b>	(410,228)

