



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**DECEMBER 31, 2008**

The following is Management's Discussion and Analysis ("MDA") of the financial condition and results of operations is presented to enable a reader to assess material changes in financial condition and results of operations for the year ended December 31, 2008. This MDA has been prepared as at March 22, 2010, unless otherwise indicated. This MDA is intended to supplement and complement the financial statements and notes thereto for the year ended December 31, 2008 which have been prepared in accordance with accounting principles generally accepted in Canada ("GAAP"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information relating to GLR, including its annual information form for the year ended December 31, 2008, is available on SEDAR at [www.sedar.com](http://www.sedar.com). As the Company's shares are no longer listed on the TSX, it is not required to file an annual information form for the year ended December 31, 2009 and future years.

## Overview

GLR Resources Inc. ("GLR" or the "Company") is a Canadian-based junior mining and exploration company incorporated under the Canada Business Corporations Act which currently holds a portfolio of exploration stage projects in Ontario and Quebec which GLR continues to evaluate. During 2008, the Company's primary project was the development of its then 100%-owned Goldfields Mine, located near Uranium City in northern Saskatchewan which was sold in August 2009, as described under the caption *Liquidity*.

- On January 7, 2009, the Toronto Stock Exchange (the "TSX") de-listed GLR's securities and, consequently, the Company's securities do not trade on a recognized Canadian exchange.
- Subsequent to December 31, 2008, the Company's secured lender, Blackfish Capital (Master) Fund 1 SPC ("Blackfish"), presented formal demand for payment of its promissory note ("Note") in the amount of \$2 million, plus interest accrued thereon plus other costs and expenses.
- 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 CCAA application was eventually dismissed at the same time as the Proposal was approved pursuant to the BIA.
- Effective May 25, 2009, the Company entered into a Purchase and Sale Agreement ("Agreement") with Linear Gold Corp. ("Linear") which provided for the sale of the Company's Saskatchewan assets, including the Box and Athona Mines, which comprised the Goldfields Mine, and surrounding exploration property.
- On May 29, 2009, GLR filed a notice of intention to make a proposal pursuant to the *Bankruptcy and Insolvency Act (Canada)* ("BIA"). Paddon + Yorke Inc. ("PYI" or the "Trustee") was appointed as proposal trustee.
- On June 5, 2009, GLR filed a proposal under the BIA. Some minor amendments were made to the proposal and filed on July 20, 2009. On August 18, 2009, the Court approved the Company's proposal to creditors, as amended ("Proposal"), and the sale of the Goldfields assets to Linear ("Transaction"). The Transaction, which closed on August 20, 2009, provided PYI with cash proceeds of US\$5.0 million and 727,272 common shares in the capital of Linear (the "Linear Shares". After repayment of the amounts owed to Blackfish, payment of the unsecured claims in the Proposal and payment of legal and other professional fees, GLR received net cash proceeds of \$750,000 and the Linear Shares. In addition, GLR is entitled to receive post-closing reimbursement of deposits made by GLR in respect of certain equipment contracts, which were assigned to the Purchaser as part of the Transaction. On December 31, 2009, the Company received from Linear \$300,000 as part reimbursement of the Gekko deposit.
- During September 2009 and during the quarter ended December 31, 2009, PYI, with the exception of one disputed claim, in the amount of \$360,000 plus unspecified costs, settled all proved creditor claims and legal fees arising before and during the BIA process. Consequently, GLR is essentially debt free with exploration prospects in Ontario and Quebec.



## Selected Annual Financial Information

	2008	2007	2006
Expressed in Canadian dollars, except share amounts	\$	\$	\$
Cash and cash equivalents	114,963	1,753,741	1,797,012
Property, plant and equipment	6,970,944	9,264,252	5,326,863
Mineral interests	2,400,865	2,758,888	2,112,357
Total assets	9,904,015	17,581,020	10,020,799
Working capital (deficiency)	(3,023,944)	(889,069)	2,051,953
Long-term liabilities	-	460,000	419,000
Cash used in operations	(1,410,901)	(297,069)	(651,005)
Common shares issued for cash	3,945,125	5,891,786	3,409,153
Common shares outstanding	63,595,024	53,868,024	42,704,206
Revenue	369,422	216,632	280,729
Cost of operations before non-controlling interest and taxes	12,626,987	3,020,261	1,380,406
Net income (loss)	(11,002,253)	(2,273,930)	(806,677)
Other comprehensive income (loss)	(73,000)	63,746	-
Net income (loss) per share- basic and diluted	(0.18)	(0.05)	(0.02)
Dividends paid	0.00	0.00	0.00

## Selected Quarterly Information

2008	Q1	Q2	Q3	Q4
	\$	\$	\$	\$
Revenues	71,943	75,273	104,235	117,971
Expenses	467,644	763,090	6,114,821	5,281,432
Net income (loss)	(395,701)	(687,817)	(6,010,586)	(3,908,149)
Basic and fully diluted loss per share	(0.01)	(0.01)	(0.12)	(0.06)

2007	Q1	Q2	Q3	Q4
	\$	\$	\$	\$
Revenues	14,608	65,383	80,950	55,691
Expenses	318,526	546,088	598,197	1,557,450
Net income (loss)	(220,050)	(377,964)	(378,172)	(1,297,744)
Basic and fully diluted loss per share	(0.01)	(0.01)	(0.00)	(0.03)

## Results of Operations

### Fourth Quarter 2008 Results

During the fourth quarter of 2008, GLR charged Strategic Resources Inc. (formerly Uranium City Resources Inc.) ("UCR") \$117,316 (2007-\$62,858) in respect of certain exploration and development projects which GLR managed on behalf of UCR. The increased management fee income resulted from increased exploration activity on properties held by UCR in the Province of Saskatchewan. GLR was entitled to a management fee calculated as a percentage of expenditures for certain properties on which UCR conducts exploration. During July 2008, common management of UCR and GLR ended. During the fourth quarter of 2008, UCR advised the Company that it would be ceasing operations in Saskatchewan and the management contract between GLR and UCR was terminated at the end of December 2008.

Interest income decreased on reduced average cash balances.



Operating expenditures for the fourth quarter of 2008 totalled \$5,281,432 compared to \$1,557,450 during the fourth quarter of 2007. The fourth quarter of 2008 includes write-downs of its Goldfields Mine and other Saskatchewan properties to expected net realizable value determined by the sale of the Goldfields Mine and nearby Saskatchewan properties subsequent to year end and other property in Ontario, Reference should be made to comments under *Mineral Properties*.

Except for the costs described below, all head office costs were reduced to a minimum to minimize cash outflow. Reference should be made to comments under the caption *Cash Resources and Liquidity*.

During the fourth quarter of 2008, interest expense and finance fees were \$31,778 compared to \$Nil during 2007 when all financing costs were deferred. During the third quarter of 2008, the write-off of \$468,940 of previously deferred financing costs associated with debt financing arrangements that occurred during 2007, were included in finance costs; however, these costs are disclosed separately as a write-off in the fourth quarter of 2008. Year-to-date charges also include costs associated with the failed financing by way of prospectus earlier in 2008. Reference should be made to comments under the caption *Cash Resources and Liquidity*.

Quarterly results during 2008 were affected by the amount of time spent on financing issues and increased general activity. Future corporate activity will be significantly reduced in an effort to minimize use of cash.

During the fourth quarter of 2008, the Company provided for contingent consideration that may be payable to a former employee pursuant to a contractual arrangement. The employee, 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 and through the Trustee will vigorously oppose its appeal. The amount of the claim has been accrued under the caption *Management fees, salaries and benefits* in the Statements of Operations and Deficit for the year ended December 31, 2008. The Trustee has set aside an amount from the proceeds realized from the Transaction with Linear that is considered adequate to settle the claim.

During the fourth quarter of 2008 the Company wrote off the carrying value of its Goldfields Mine assets plus other Saskatchewan and Ontario related exploration properties to estimated net realizable value. The economic downturn during 2008 made it difficult for GLR to raise non-flow-through funds in the capital markets. The Company needed to raise \$20 million in a "hard dollar" private placement to meet its requirements under the Blackfish \$45 million debt financing. Reference should also be made to comments under the caption *Liquidity*. In addition, the lengthy delay in bringing closure to the bankable feasibility study thwarted completion of a debt financing to bring the Goldfields Mine to production.

Exploration activity came to a halt during the fourth quarter of 2008, only essential property holding and maintenance costs were incurred and paid. Costs incurred by the exploration manager were expensed to consulting and not capitalized as a charge to exploration properties. Future exploration activity will be focused on the Company's north western and north eastern Ontario properties and its Casa Berardi project in Quebec. Reference should also be made to comments under the caption *International Financial Reporting Standards*.

The Company's quarterly results are affected by availability of funds, which have been directed principally toward development of the Box Mine and associated exploration and development. Property carrying costs are periodically reviewed for impairment and provisions made if further development or exploration are not planned. Write-downs for the year 2008 are summarized as follows:

	Third quarter	Fourth quarter
	\$	\$
Supplier deposits	4,929,735	-
Deferred finance charges	468,940	-
Goldfields properties and assets	-	4,369,810
Ontario properties	-	192,426
	5,398,675	4,562,236



As a result of its activities, the Company recorded a net loss of \$3,908,149 or \$0.06 per share during the fourth quarter compared to a net loss of \$1,297,744 or \$0.03 per share during the corresponding quarter of 2007.

### ***Twelve Month 2008 Results***

Management fees earned during the year 2008 increased principally as a result of UCR's increased spending on its projects in Northern Saskatchewan. During 2008, Management fee income resulted from increased exploration activity on properties held by UCR in the Province of Saskatchewan. GLR was entitled to a management fee calculated as a percentage of expenditures for certain properties on which UCR conducted exploration. During July 2008, common management of UCR and GLR ended. During the fourth quarter of 2008, UCR advised the Company that it would be ceasing operations in Saskatchewan and the GLR management contract was terminated at the end of December 2008.

During 2008, interest income was down as a result of lower average cash balances and lower interest rates. Interest income arose from interest paid by the bank on daily cash balances. Excess cash balances were not placed in short-term certificates of deposit.

Office and general expenses increased principally as a result of increased travel and increased rent and ancillary charges associated with operation of the Saskatoon office, which was shut down during 2008.

Interest expense and finance fees are comprised of \$92,757 accrued and paid on the \$2.0 million promissory note to Blackfish, \$67,078 in respect of accrued federal Part XII.6 tax and \$701,702 in respect of a failed subordinated debt offering and other attempts at financing arrangements.

Interest on the promissory note to Blackfish continued to accrue until settlement of the promissory note on August 20, 2009, the date of sale of the Goldfields Mine assets and settlement of the promissory note. Interest is calculated at the rate of 30-day LIBOR for Canadian dollars plus 0.5%. Interest rates declined significantly during 2008 and 2009. Part XII.6 tax is an interest charge imposed by the federal government as a result of the Company renouncing \$3,750,000 of exploration expenditures as at December 31, 2007 but incurring the expenditures during 2008 under the "look back" rules.

Public relations expense was reduced significantly as a result of the Vice-President, Investor Relations being heavily involved in the permitting process for the Goldfields Mine during 2008. Costs associated with permitting of the mine were capitalized as a property expense and not charged to operations.

Professional fees include legal, audit and tax costs and fees paid to directors. During 2008, legal fees were up \$81,710 over 2007 as a result of increased corporate activity and litigation arising from employment issues arising in Saskatchewan. Audit and tax fees were \$42,360, up nominally from 2007. Due to increased regulatory oversight and the upcoming adoption of International Financial Reporting Standards ("IFRS") in 2011, these fees are expected to increase steadily over the next few years. During 2008, the Company utilized the services of an outside accounting firm to aid in the preparation of its quarterly financial statements. These costs, which aggregated \$24,850, are not on-going and were not incurred during 2009. Fees paid to directors increased from \$6,525 in 2007 to \$19,148 in 2008. The increase resulted from fees charged by directors who were members of the Goldfields Mine development oversight committee.

Salaries, fees and benefits increased \$614,064 to \$786,415 for the year 2008. The increase principally arises from the addition of a new chief financial officer, full expensing of the president's management fee to operations and an accrual for potential severance costs arising from the termination of the former chief operating officer.

Stock-based compensation, which is a non-cash charge, decreased on reduced amortization of Black-Scholes valuations attributable to options previously granted to eligible persons. The \$59,402 stock-based compensation charge for the year 2008 related to a stock option granted to the Vice-president, Investor Relations to acquire 100,000 shares of GLR.



Provisions for impairment of property, plant and equipment aggregated \$9,960,911 for the year ended December 31, 2008. The provisions wrote off supplier deposits and previously deferred finance charges. GLR's exploration and development properties were written down to net realizable value based on proceeds received from sale of the McCauley Hurd property near Kirkland Lake and on proceeds received following the sale to Linear of its Goldfields Mine assets and other properties in Saskatchewan.

At December 31, 2008, GLR recognized a tax benefits aggregating \$1,255,312 and eliminated the previously recognized future tax liability arising principally from the renunciation of Canadian Exploration Expense to qualified investors. During 2007, the Company recognized a future tax benefit of \$529,700.

As a result of its activities, the Company recorded a net loss of \$11,002,253 or \$0.18 per share for the full year 2008 compared to a net loss of \$2,273,930 or \$0.05 per share during 2007.

### **Capital Resources and Liquidity**

As of the date hereof, GLR has essentially emerged from its restructuring under the BIA. In order for the process to be completed the Trustee needs to resolve one disputed claim before the bankruptcy court and satisfy certain administrative procedures before bringing closure to the proceedings. The formal completion date of the restructuring process under the BIA is not known at this time and the amount of the final distribution to GLR cannot be estimated at this time. Reference is made to comments under the caption *Results of Operations-Fourth Quarter Results*.

Effective January 9, 2009, GLR sold its Hurd McCauley property for \$300,000 in cash. These funds formed the basis for funding the cost of restructuring GLR. In addition, the purchasers agreed to assume the underlying royalty obligation and to pay GLR a 2% net smelter royalty on future production.

### **Capital Resources**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles and on the assumption that GLR will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business as a going concern. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing and reach positive cash flows from operations. During the first quarter of 2008, the Company raised gross proceeds of \$4,290,800 through the placement of non-flow-through and flow-through equity placements. After cash issuance costs associated with the private placements, the Company netted \$3,945,125 to finance its then on-going development of the Goldfields Mine, which was sold in 2009, and exploration projects.

At the close of business on January 7, 2009, the common shares of GLR were de-listed from the TSX for failure to meet the continued listing requirements of the TSX. The Company has approached the Canadian National Stock Exchange ("CNSX") to list its shares on that exchange and expects to submit a formal application to the CNSX in the near future in connection therewith. Approval of this listing application will be contingent upon GLR meeting the CNSX listing requirements and removal of the cease trade orders against the Company by the Ontario Securities Commission and other provincial regulators.

Without the ability of GLR to raise additional funding for its exploration projects and working capital expenditures, the ability of the Company to continue as a going concern will be in doubt. Although Linear paid US\$5.0 million in cash and the Linear Shares pursuant to Transaction in August 2009, the net cash received by GLR on closing was US\$3,043,401 after settlement of debt owing to the Company's secured creditor, Blackfish. Both the cash proceeds and Linear Shares received on closing were deposited to the account of the Trustee to be held in trust pending settlement of all legal costs and claims submitted by the unsecured creditors of GLR. In this regard, the Trustee paid out approximately \$1.9 million to settle unsecured creditor claims and legal costs associated with the Proposal.



## Liquidity

In order to further the development of the Company's then-owned Goldfields Mine, on February 27, 2006, the Company entered into an agreement, as amended on January 31, 2008 (the "Mandate"), with Investec Bank (UK) Ltd. ("Investec") for the provision of project financing services for the Box Mine from a syndicate of financial institutions (the "Project Lenders"). The Mandate contained 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.

In order to finance the Goldfields Mine into production, the Company needed to raise approximately US\$65 million. The Company had entered into an arrangement with Investec to finance US\$45 million described above. The Company was to fund the US\$20 million difference either with an equity financing or a subordinated debt financing. During 2008, liquidity in the capital markets was virtually non-existent, especially for junior mining companies and, consequently, the Company was unable to raise the shortfall between the bank financing and total expected capital expenditure.

On April 7, 2008, GLR obtained a receipt for its preliminary short form prospectus filed with securities regulatory authorities in the provinces of British Columbia, Alberta, Ontario and Quebec in connection with the offering of up to 20,000 subscription receipts ("Subscription Receipts") at a price of \$1,000 per Subscription Receipt for gross proceeds of up to \$20,000,000. Subsequently and during the second quarter of 2008, the Company informed the Ontario Securities Commission that it would not be proceeding with the prospectus offering of Subscription Receipts as announced in April, 2008.

Through September 30, 2008, the Company's Chief Operating Officer had caused the Company to enter into several contracts prior to commencement of construction and financing of its then owned Goldfields Mine. These contracts committed the Company to expend approximately \$20.8 million on process plant and equipment, of which \$5.0 million had been advanced to suppliers. Due to delays in financing, inability to fund further advances and uncertainty surrounding the ability to begin construction, the Company wrote off deposits to suppliers in the aggregate amount of \$4,129,734.

On October 30, 2008, the \$2.0 million promissory note payable to Blackfish came due. The Company was unable to repay the loan. On January 13, 2009, Blackfish presented a formal demand for payment of the loan plus interest accrued thereon and other costs and expenses. The Company and Investec, which acted on behalf of Blackfish, entered into negotiations which resulted in GLR entering into a forbearance agreement with Blackfish effective March 30, 2009. The forbearance agreement allowed GLR until June 25, 2009 to develop a restructuring plan to address current debt, capital and cost structures in the best interest of its stakeholders. The forbearance agreement enabled GLR to continue its day-to-day operations.

A special committee ("Special Committee"), comprised of three independent GLR directors and one representative from Blackfish, was formed to determine the best way to restructure the Company. The Special Committee determined that sale of the Goldfields Mine assets was the quickest way to enable the Company to restructure and to place itself in a position to re-list its shares for trading on a recognized exchange.

During the bidding process for the assets of the Company, three companies emerged with competitive bids. Most of the bids received and rejected anticipated paying the secured creditor and leaving no opportunity for GLR to move forward and remain a viable enterprise. Initially, the Special Committee awarded the winning bid to Santa Fe Metals Corp. ("Santa Fe"). Linear had the right to match the Santa Fe bid but initially chose not to do so upon learning that Linear did not have the winning bid. The Special Committee imposed a condition on the Santa Fe bid which required Santa Fe to post the cash component of its bid in escrow. Santa Fe did not post the required amount into escrow by the required date. Consequently, Linear was awarded the winning bid for the Goldfields Mine assets.

The confusion arising during the bidding process resulted in each of Linear and Santa Fe filing claims against GLR and each other. Delays arising from litigation forced the Company to seek protection under the BIA to try and preserve value for all of the Company's stakeholders.

On May 25, 2009, GLR entered into an Agreement of Purchase and Sale with Linear which was, among other things, subject to approval of the bankruptcy court. On June 5, 2009, GLR filed the Proposal and subsequently filed certain minor amendments. On August 18, 2009, the Court approved the Proposal and Transaction. The Transaction closed on August 20, 2009 and resulted in Blackfish, the unsecured creditors and all restructuring costs being paid in full.

### ***Available Future Sources of Funds***

Pursuant to the Agreement of Purchase and Sale between Linear and GLR, as amended, GLR is entitled to partial reimbursement of deposits it made to Gekko Systems Pty. Ltd. ("Gekko") and Yantai Jinyuan Mining Machinery Co., Ltd. ("Yantai") in respect of certain equipment ordered in connection with the development of the then owned Goldfields Mine. The anticipated minimum reimbursements are as follows:

<b>Supplier</b>	<b>Currency</b>	<b>Amount (\$)</b>
Gekko	Canadian dollars	696,225
Yantai	United States dollars	1,779,900

On December 31, 2009, GLR received a \$300,000 reimbursement in respect of the Gekko plant deposit. The remaining amounts will be reimbursed to GLR when the related equipment is available for delivery by the respective suppliers. Reimbursements will be recognized in the accounts when received.

Effective December 19, 2009, the Company was able to sell its investment in Linear shares following a four month hold on the shares from the date of closing on the Transaction. As of the date hereof, GLR has sold 527,272 Linear shares for aggregate gross proceeds of \$1,038,283 and, continues to hold 200,000 Linear shares.

### ***Commitments and Contingencies***

Through December 31, 2007 the Company had raised \$3,750,000 by way of flow-through private placements which were renounced to the subscribers with an effective date of December 31, 2007. This obligation to incur sufficient expenditures that qualified as Canadian Exploration Expense was satisfied in 2008 using the "look back" rules.

During February 2008, the Company raised a further \$2.0 million of flow-through financing. This obligation to incur sufficient expenditures that qualified as Canadian Exploration Expense was satisfied during 2009 using the "look back" rules.

The Company has no off balance sheet financing arrangements.

The Company is analysing the results of its recent drilling programs on the Baldwin property in north eastern Ontario, the Stares/Sackville property in north western Ontario and its Casa Berardi property in Quebec. Once the analysis is complete, the Company will develop a go-forward strategic plan on future exploration and development projects.

The Company is also developing a plan to reduce general administrative costs that correlate with the new down-sized company. Although GLR has sources of funding aggregating in excess of \$3 million for 2009, there is risk in realizing the full amount. Uncertainty arises in respect of the value of Linear shares and collectability of reimbursements of deposits from Linear.

As a consequence of closing the Transaction with Linear, GLR has no remaining obligations to Yantai and is expected to have no remaining obligation to Gekko upon Linear taking delivery of the Gekko equipment. Delivery Gekko equipment to Linear is expected to occur during the second quarter of 2010.



## Mineral Properties

The following table summarizes the Company's exploration activity during 2008:

	Opening balance (\$)	Additions (\$)	Disposals and write- downs (\$)	Net (\$)
Stares, Ontario	785,461	5,261	-	<b>790,722</b>
Goldie, Ontario	430,402	68,117	-	<b>498,519</b>
Hurd McAuley, Ontario	457,237	27,475	(484,712)	-
Baldwin, Ontario	313,661	5,753	-	<b>319,414</b>
Kirkland West, Ontario	248,148	1,824	-	<b>249,972</b>
Martin Lake, Saskatchewan	127,243	-	(127,243)	-
Dubnick Triangle, Saskatchewan	144,623	20,000	(164,623)	-
Golden Pond, Saskatchewan	32,269	309,219	-	<b>341,488</b>
General and other	219,844	4,687	(23,781)	<b>200,750</b>
	<b>2,758,888</b>	<b>442,336</b>	<b>(800,359)</b>	<b>2,400,865</b>

### General comments

The Company's general exploration program was delayed during 2008 while funds were directed toward development of the Goldfields Mine. The Golden Pond property which is in close proximity to the Box Mine and was drilled in an effort to find further resources that could potentially be future source of mill feed for the then held Goldfields Mine mill.

During the fourth quarter of 2008, all exploration activity ceased as the Company moved to conserve cash.

During the fourth quarter of 2009 the Company was able to recommence work on the Stares/Sackville, Baldwin and Casa Berardi projects.

### Future Tax Liability

During November 2007, the Company issued 3,750,000 flow-through shares for proceeds of \$3,000,000. During February 2008, the Company renounced the equivalent expenditure to its investors and recognized a non-cash future income tax liability of \$810,000 using the substantially enacted, combined federal and provincial tax rate of 27%. The offsetting amount was charged as a cost of equity financing.

During February and March 2008, the Company issued 4,000,000 flow-through shares for proceeds of \$2.0 million. During February 2009, the Company renounced the equivalent expenditure to its investors and recognized a non-cash future income tax liability of \$660,000 using the enacted, combined federal and provincial tax rate of 33%. The offsetting amount was charged as a cost of equity financing.

As a consequence of the write-downs of property, plant and equipment and other assets during 2008, the Company realized a net future tax asset which was recognized in 2008 and offset against the accumulated future tax liability.

### Dividend Record

There are no restrictions that prevent the Company from paying dividends. The Company has not paid any dividends on its common shares during the last 5 fiscal years. The Company currently has no intention of paying any dividends on its Class A common shares. The Board of Directors of the Company will determine if and when dividends should be declared and paid in the future, based on the Company's financial position at the relevant time.



## Disclosure Controls and Procedures

Management is responsible for the information disclosed in this management's discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. The Company has three officers, the Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary involved in preparation of the financial statements. The involvement of these officers in all aspects of the design and operation of disclosure controls and procedures was effective as at and for the period ended December 31, 2008 and provides reasonable assurance that all material information relating to the Company is disclosed. The audit committee is actively involved in quarterly reviews and is comprised of three independent directors.

During the periods ended December 31, 2008 certain weaknesses in internal control were identified that are likely to affect, the Company's internal control over financial reporting. These weaknesses were identified as follows:

- 1) There was a lack of review in the allocation of property exploration costs in the Uranium City exploration camp which could result in incorrect calculation of management fees receivable from UCR;
- 2) There was a lack of segregation of duties between the recordation of inter-company charges and collection of receivables and reconciliation of receivables to those charges; and
- 3) Weaknesses in review procedures were identified in respect of the grant of stock options.

These weaknesses have the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. New policies and procedures are being implemented to address and correct the above issues. The first two items have been remedied as a consequence of UCR selling its Saskatchewan exploration properties and termination of the management contract.

## Changes in Management Duties

In addition to the creation of the Special Committee to oversee the sale of assets during 2009, the Chief Financial Officer was appointed as Co-CEO to oversee day-to-day operations and advise the independent directors, from a financial perspective, on bids received for various assets to the Company during the forbearance period and subsequently during restructuring under the BIA.

Effective November 13, 2008, GLR terminated, for cause, the services of its Chief Operating Officer, John Orr.

## Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the reporting period.

The financial statements follow the same accounting policies and methods set forth in the Company's audited financial statements as at and for the year ending December 31, 2007, except as noted below.

## 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.

#### **(i) 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.

#### **(ii) 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.

#### **(iii) 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.

During 2008 and 2009 management was preoccupied with financial issues. During 2010, management will increase its efforts to convert from Canadian generally accepted accounting principles to IFRS develop a conversion implementation plan.

### **Changeover to International Financial Reporting Standards**

To date, the Company has not developed a strategic plan to convert to IFRS as management was preoccupied during 2008 and 2009 with ensuring continuance of the Company as a going concern and lacked the funds to hire outside consultants to develop a conversion strategy.

2010 is the transition year to IFRS. The International Accounting Standards Board ("IAS") is in the process of changing several standards; however, IAS has deferred, until 2012, its review related to accounting for exploration expenditures. At December 31, 2008, property comprises approximately 85% of the Company's total assets. Should IAS decide to adopt US-style GAAP for exploration companies which are considered to be development stage companies, GLR's total assets would be reported as less than \$1.5 million.

The Company will be assessing its financial assets and liabilities and any differences resulting from lack of convergence of Canada GAAP with IFRS. Following the Company's write-off of a substantial portion of plant and



equipment in 2009, the differences between Canada GAAP and IFRS in respect of reporting plant and equipment are nominal. However, the Company will move toward developing the additional disclosure formats to be prepared beyond the transition year.

The Company will need new accounting software to handle capture of data in the context of IFRS reporting. Management will consult with external providers on the best solution of a Company the size of GLR.

## Related Party Information

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.

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 UCR conducts exploration. UCR and GLR had two common directors and one common officer during 2008. Following a change in management of UCR during July 2008, UCR was no longer considered a related party and the management agreement between UCR and GLR 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 expenses incurred in the ordinary course of business.

	2008	2007
Transactions during the year:	\$	\$
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:	\$	\$
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:	\$	\$
Accounts payable and accrued liabilities	43,061	2,326

During 2009 and pursuant to the forbearance agreement with Blackfish, the Company formed a Special Committee comprised of three independent directors to receive and consider bids for the assets of the Company. Upon completion of the Transaction with Linear, these three directors invoiced GLR in the approximate aggregate amount of \$86,000.

## Share Capital

GLR's 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 of shares is redeemable by GLR, in whole or in part, at the rate of \$1,000 per Series A share. The holders of Series A shares are not entitled to receive dividends. There were no Class B, Series A Preferred Shares issued as at the date of this MDA.

<b>As at March 22, 2010</b>	
Class A common shares issued	63,595,024
Shares issuable pursuant to:	
Warrants	3,715,950
Stock options	1,930,000
<b>Fully diluted as at March 22, 2010</b>	
	69,240,974

Since the Company is subject to a cease trade order, none of the options and warrants, all of which are out-of-the-money, can be exercised.

## Risks

There is uncertainty about the Company's ability to realize the carrying value of its assets and discharge its liabilities as they come due. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing and reach positive cash flows from operations.

The Company's assets are subject to the risk of increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations. Operational risks include finding and developing economic ore reserves. Financial risks include interest and U.S. dollar exchange rates, which are beyond the control of the Company. The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of exploited minerals and metals. The Company is subject to various regulatory risks, many of which also are beyond the control of the Company.

The Company is again considered to be in the exploration stage and has not yet recorded any revenues from its on-going operations nor has the Company commenced commercial production on any of its properties. There can be no assurance that the Company will generate any revenues or that the assumed levels of expenses will prove to be accurate.

The Company expects to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's properties will require substantial resources to complete the development of its properties. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of on-going development, the results of consultant's analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.

The Company's vulnerability to changes in metal prices may cause its share price to be volatile and may affect the Company's operations and financial results.

Changes in the market price of precious and base metals will significantly impact the ability of the Company to finance its operations and, indirectly, its share price. The Company's financial results will be very sensitive to external economic factors related to metal prices. A major risk will arise if there is a prolonged period of lower metal prices. Many factors beyond the Company's control influence the market price of the metals the Company seeks on its mineral properties. These factors include: global supply and demand; availability and costs of metal substitutes; speculative activities; international political and economic conditions; and production levels and costs in other gold-producing countries.



The Company is subject to extensive environmental legislation and the costs of complying with these regulations may be significant. Changes in environmental legislation could increase the costs of complying with applicable regulations and reduce levels of production.

Environmental legislation relating to land, air and water affects nearly all aspects of the Company's operations. This legislation requires the Company to obtain various operating licenses and also imposes standards and controls on activities relating to exploration, development and production of gold and other precious metals. The cost of obtaining operating licenses and abiding by standards and controls on its activities may be significant. Further, if the Company fails to obtain or maintain such operating licenses or breaches such standards or controls imposed on its activities, it may not be able to continue its operations in its usual manner, or at all, or the Company may be subject to fines or other claims for remediation which may have a material adverse impact on its operations or financial results. The Company will be responsible for all costs of closure and reclamation at the Goldfields Mine. While the Company is unaware of any existing material environmental liabilities, it cannot guarantee that no such liabilities currently exist or will occur in the future.

Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of protecting human health and the environment. Some of the issues currently under review by environmental agencies include reducing or stabilizing air emissions, mine reclamation and restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company expects that capital and operating expenditures will increase as a result of compliance with the introduction of new more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean-up orders, imposition of penalties, liability for related damages and the loss of operating permits. While the Company believes it is now in material compliance with existing environmental legislation, it cannot give assurances that it will, at all future times, be in compliance with all federal and provincial environmental regulations or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations. The mining industry is intensely competitive and the Corporation must compete in all aspects of its operations with a substantial number of other junior mining companies, some of which have greater technical and financial resources. The Company may be at a disadvantage with respect to some of its competitors in the acquisition and/or development of high potential mining properties throughout the principal markets and geographical areas in which the Company carries on its business activities.

## **Forward Looking Information**

This MDA contains "forward looking information". Forward looking information includes, but is not limited to, statements concerning the appeal of the disallowance of a claim for severance by a former officer of the Company, mineral resource estimates, the potential listing of GLR's common shares on the CNSX and other statements which are not historical facts.

In certain cases, forward looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" and include the negative variation of such phrases.

With respect to forward looking information contained in this MDA, the Company has made assumptions regarding, among other things, the Company's ability to successfully defend the above-mentioned appeal, to complete the restructuring under the BIA, to satisfy the listing requirements of the CNSX, to generate sufficient cash flow from operations and to access capital markets to meet its future obligations, the regulatory framework in the provinces in which its properties are located with respect to, among other things, permits, licenses, authorizations, royalties, taxes and environmental matters, and the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's needs.

Although the Company believes that its expectations reflected in forward looking information are reasonable, such forward looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or the Company's projects, or any of them, to be materially different from any future results, performance or achievements expressed or implied by the forward looking information. Such factors include, risks related to uncertain outcome of any litigation, changes to listing CNSX listing requirements, failure to convert estimated mineral resources to reserves, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of base and precious metals, unexpected increases in capital or operating costs, possible variations in mineral resources, grade or recovery rates, failure of equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the mining industry, delays in obtaining governmental consents, permits, licences and registrations or financing, uncertainties relating to the availability and costs and availability of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices and uninsured risks, as well as those factors discussed under "Risks" in this MDA.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information. The forward looking information contained herein, unless stated otherwise, is made as of the date of this MDA and the Company makes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

"Robert J. Kasner"  
President and Co-Chief Executive Officer

"David J. Layman"  
Senior Vice-president and Chief Financial Officer and  
Co-Chief Executive Officer

March 22, 2010

