



## Financial Statements

**March 31, 2009**  
(Unaudited)

**Notice:** The unaudited interim financial statements of GLR Resources Inc. ("Company") as at and for the three months ended March 31, 2009 and 2008 ("Financial Statements") have been prepared by management and have not been reviewed by the Company's auditors. The Financial Statements should be read in conjunction with the audited financial statements as at and for the year ended December 31, 2008 which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Financial Statements are presented in Canadian dollars, unless otherwise indicated, and are prepared in accordance with Canadian generally accepted accounting principles.

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

<i>(Unaudited)</i>	March 31 2009 \$	December 31 2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	130,675	114,963
Goods and services tax recoverable	5,858	4,106
Other receivables	4,366	3,948
Prepaid expenses and advances <i>(Note 3)</i>	150,000	-
Assets held for sale	1	300,001
Due from related parties <i>(Note 6)</i>	85,253	84,099
	<b>376,153</b>	<b>507,117</b>
<b>Investments</b>	<b>41,791</b>	25,089
<b>Property, plant and equipment</b> <i>(Note 5)</i>	<b>6,987,657</b>	6,970,944
<b>Mineral properties and deferred expenditures</b> <i>(Note 4)</i>	<b>2,384,557</b>	2,400,865
	<b>9,790,158</b>	<b>9,904,015</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities <i>(Note 6)</i>	1,640,060	1,531,061
Promissory note payable <i>(Note 9)</i>	2,000,000	2,000,000
	<b>3,640,060</b>	<b>3,531,061</b>
<b>Shareholders' equity</b>		
Capital stock <i>(Note 7)</i>	17,764,186	17,764,186
Contributed surplus <i>(Note 8)</i>	3,415,474	3,415,474
Accumulated deficit	(15,036,741)	(14,797,182)
Accumulated comprehensive income (loss)	7,179	(9,524)
	<b>6,150,098</b>	<b>6,372,954</b>
	<b>9,790,158</b>	<b>9,904,015</b>

Commitments and contingencies (Notes 1, 10 and 14)

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

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

<i>(Unaudited)</i>	Three months ended March 31	
	2009 \$	2008 \$
<b>Revenues</b>		
Management fees <i>(Note 6)</i>	-	48,224
Interest	90	23,719
	<b>90</b>	<b>71,943</b>
<b>Operating Expenses</b>		
Amortization	413	3,175
Office and general <i>(Note 6)</i>	35,027	80,941
Interest expense	43,668	41,778
Public relations	12,287	18,066
Professional fees	27,062	59,220
Shareholder information	10,358	21,671
Consulting	-	28,379
Restructuring costs	12,106	-
Salaries, fees and benefits	96,919	186,904
Other	1,809	-
Stock-based compensation	-	27,509
	<b>239,649</b>	<b>467,643</b>
<b>Net loss before taxes</b>	<b>(239,559)</b>	<b>(395,700)</b>
Future income tax recoveries	-	-
<b>Net loss for the period</b>	<b>(239,559)</b>	<b>(395,700)</b>
Accumulated deficit, beginning of period	<b>(14,797,182)</b>	<b>(3,794,929)</b>
<b>Accumulated deficit, end of the period</b>	<b>(15,036,741)</b>	<b>(4,190,629)</b>
<b>Net loss per share—basic and fully diluted</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Weighted average number of shares (000's) – basic and fully diluted</b>	<b>63,595</b>	<b>57,257</b>

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

<i>(Unaudited)</i>	Three months ended March 31	
	2009 \$	2008 \$
Net loss	(239,559)	(395,700)
Other comprehensive income:		
Gain (loss) on available-for-sale securities, net of tax benefit	16,703	(38,238)
<b>Total comprehensive loss</b>	<b>(222,856)</b>	<b>(433,938)</b>

<i>(Unaudited)</i>	Three months ended March 31	
	2009 \$	2008 \$
<b>Accumulated other comprehensive income (loss), beginning of period</b>	<b>(9,524)</b>	63,476
Income (loss) on available-for-sale securities, net of tax benefit	16,703	(38,238)
<b>Accumulated other comprehensive income, end of period</b>	<b>7,179</b>	25,238

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

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

<b>(Unaudited)</b>	<b>Three months ended March 31</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Operations</b>		
Net loss	<b>(239,559)</b>	(395,701)
Adjustments to reconcile net income (loss) to cash flow from operating activities:		
Amortization	<b>413</b>	3,175
Stock-based compensation	-	27,509
Net change in non-cash working capital items:		
Goods and services tax recoverable	<b>(1,752)</b>	13,075
Other receivables	<b>(418)</b>	-
Prepaid expenses and advances	<b>(150,000)</b>	17,389
Inventory	-	(4,351)
Assets held for sale	<b>300,000</b>	13,000
Due from related parties	<b>(1,154)</b>	-
Accounts payable and accrued liabilities	<b>108,999</b>	(319,503)
<b>Cash flow used in operating activities</b>	<b>16,529</b>	(645,407)
<b>Financing</b>		
Issuance of common shares	-	4,290,800
Cash costs associated with issuance of common shares	-	(337,755)
Decrease (increase) in due from related parties	-	(140,956)
<b>Cash flow from financing activities</b>	<b>-</b>	3,812,089
<b>Investments</b>		
Expenditures on resource assets and mineral properties	<b>16,308</b>	(115,525)
Property, plant and equipment	<b>(17,125)</b>	(584,292)
Advances to suppliers	-	(2,027,681)
<b>Cash flow used in investing activities</b>	<b>(817)</b>	(2,727,498)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>15,712</b>	439,184
Cash and cash equivalents, beginning of period	<b>114,963</b>	1,753,741
<b>Cash and cash equivalents, end of period</b>	<b>130,675</b>	2,192,925

Supplementary cash flow information (Note 13)

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

**GLR Resources Inc.**  
**Notes to the Financial Statements**  
(Unaudited)  
**As at and for the Three Months Ended March 31, 2009 and 2008**  
(Expressed in Canadian dollars)

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

***Nature of Operations***

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



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**(Unaudited)**  
**As at and for the three months ended March 31, 2009 and 2008**  
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**1. Nature of Operations and Going Concern (continued)**

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 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 14) and provided it with the ability to move forward with its other prospective projects.

**2. Summary of significant accounting policies**

These interim unaudited financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation. The results of operations for the three month period ended March 31, 2009 are not necessarily indicative of the results expected for the full year.

These interim unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods set forth in the Company's audited consolidated financial statements as at and for the year ending December 31, 2008 and should be read in conjunction with those audited financial statements and notes thereto.

**Changes in Accounting Policies**

**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 a 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**  
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**As at and for the three months ended March 31, 2009 and 2008**  
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**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. Prepaid expenses and advances**

As at March 31, 2009, the Company had advanced \$75,000 to each of legal counsel, Heenan Blaikie LLP, and the Trustee as retainers in respect of representation under the BIA (December 31, 2008-\$Nil).

**4. Mineral properties and deferred expenditures**

The following table summarizes the Company's mineral properties and deferred expenditures during the three months ended March 31, 2009:



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**(Unaudited)**  
**As at and for the three months ended March 31, 2009 and 2008**  
*(Expressed in Canadian dollars)*

**4. Mineral properties and deferred expenditures (continued)**

	Opening Balance (\$)	Additions (\$)	Proceeds (\$)	Net (\$)
Stares, Ontario	790,722	-	-	790,722
Goldie, Ontario	498,519	-	-	498,519
Baldwin, Ontario	319,414	787	-	320,201
Kirkland West, Ontario	249,972	-	-	249,972
Casa Berardi, Quebec	29,480	79	-	29,559
Golden Pond, Saskatchewan	341,488	-	-	341,488
General and other	171,270	13,266	(30,440)	154,096
	2,400,865	14,132	(30,440)	2,384,557

The following table summarizes the Company's mineral properties and deferred expenditures during the three months ended March 31, 2008:

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

**5. Property, plant and equipment**

	March 31, 2009			December 31, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
<b>Goldfields Mine</b>						
Property	6,039,807	-	6,039,807	6,029,536	-	6,029,536
Buildings	897,600	-	897,600	898,150	-	898,150
Equipment	22,405	-	22,405	15,000	-	15,000
<b>Corporate</b>						
Exploration equipment	20,000	-	20,000	20,000	-	20,000
Office furniture and fixtures	36,776	28,931	7,845	36,776	28,518	8,258
	7,016,588	28,931	6,987,657	6,999,462	28,518	6,970,944



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**(Unaudited)**  
**As at and for the three months ended March 31, 2009 and 2008**  
*(Expressed in Canadian dollars)*

**5. Mineral properties and deferred expenditures (continued)**

There has been no amortization recorded on the Goldfields mine assets as the Company did not start commercial production. Exploration equipment consists of a mulcher which is on standby and not used in exploration activities.

**6. Related party transactions**

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

	Three months ended March 31	
	2009	2008
	\$	\$
<b>Transactions during the year:</b>		
Exploration services	10,500	11,345
Consulting	-	8,866
Management fees payable	76,875	54,815
Administrative costs	5,561	5,858
Management fees (earned)	-	(48,224)
	<b>As at</b>	<b>As at</b>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2009</b>	<b>2008</b>
<b>Related party advances and fees receivable:</b>		
	<b>\$</b>	<b>\$</b>
Management fees earned	77,874	76,720
Other (non-interest bearing, no fixed terms of repayment)	7,379	7,379
	<b>85,253</b>	<b>84,099</b>
<b>Related party payables included in:</b>		
Accounts payable and accrued liabilities	41,757	43,061

Exploration expenditures were indirectly paid to the brother of the President of GLR. Administrative expense is comprised of rent paid to a company controlled by the President of the Company. GLR was entitled to a management fee calculated as a percentage of expenditures incurred on certain properties on which Uranium City Resources Inc., now Strategic Resources Inc., ("SRI") conducts exploration. During 2008, SRI and GLR had two common directors and one common officer. During 2009, SRI and GLR have two directors in common. The management agreement with SRI 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. During the three months ended March 31, 2009, each of the President, Chief Financial Officer and exploration manager deferred all or a portion of their respective fees which deferrals were paid during September 2009.



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
**(Unaudited)**  
**As at and for the three months ended March 31, 2009 and 2008**  
*(Expressed in Canadian dollars)*

**7. Capital stock**

***Share capital***

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

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

	Number of Shares	\$
<b>Balance at March 31, 2009 and December 31, 2008</b>	<b>63,595,024</b>	<b>17,772,106</b>

***Warrants***

A summary of the Company's warrant activity during the three months ended March 31, 2009 is as follows:

	Warrants #	Weighted average exercise price \$
<b>Outstanding, December 31, 2008</b>	4,030,950	0.61
Issued	-	-
Exercised	-	-
Cancelled	-	-
Expired	-	-
<b>Outstanding, March 31, 2009</b>	<b>4,030,950</b>	<b>0.61</b>

On May 23, 2009, 225,000 warrants, having an exercise price of \$0.80 per share, expired unexercised. On September 17, 2009, 90,000 warrants, having an exercise price of \$0.75 per share, expired unexercised.

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

Month of Expiry	#	\$
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**  
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**7. 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 March 31, 2009 the Company had 3,409,502 (December 31, 2008 – 3,409,502) options available for issuance. A continuity of the unexercised options to purchase Class A Voting Common Shares is as follows:

	<b>Weighted average exercise price (\$)</b>	<b>Options #</b>
<b>Outstanding at December 31, 2008</b>	0.52	2,950,000
Transactions during the period:		
Exercised	-	-
Granted	-	-
Forfeited	-	-
Expired	-	-
<b>Outstanding at March 31, 2009</b>	<b>0.52</b>	<b>2,950,000</b>
<b>Exercisable at March 31, 2009</b>	<b>0.53</b>	<b>2,850,000</b>

The following table provides additional information about outstanding stock options at March 31, 2009.

<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	4.5	0.18
\$0.31 - \$0.50	1,245,000	2.0	0.45
\$0.51 - \$0.70	1,605,000	2.3	0.60
\$0.18 - \$0.70	<b>2,950,000</b>	<b>2.3</b>	<b>0.52</b>

On June 20, 2009, stock options to acquire 400,000 Class A common shares, having an exercise price of \$0.51 per share, expired unexercised.

**8. Contributed Surplus**

	\$
<b>Balance at December 31, 2008</b>	<b>3,415,474</b>
Value of vesting options	-
Value of warrants issued	-
Value transferred on exercised options and warrants	-
<b>Balance at March 31, 2009</b>	<b>3,415,474</b>



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
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**9. 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.

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 August 20, 2009, the Note, accrued interest and other costs were paid in full out of proceeds received from the sale of the Goldfields Mine assets.

**10. Commitments and Contingencies**

As at March 31, 2009, 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.



**GLR Resources Inc.**  
**Notes to the Financial Statements**  
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**(Expressed in Canadian dollars)**

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## **11. 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 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).

## **12. 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.



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**12. Financial Instruments (continued)**

**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 debt or equity transactions. At March 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.

**13. Supplemental Cash Flow Information**

	2009	2008
	\$	\$
Income taxes paid	-	-
Interest paid	5,424	25,386
Non-cash items		-
Share issuance costs	-	(1,149,000)
Contributed surplus	-	366,509

**14. Subsequent Events**

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 4 and 5). 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



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**13. Subsequent Events (continued)**

August 20, 2009. Due to uncertainty with respect to receipt and timing of reimbursement of the deposits, the Company will recognize reimbursements when received.

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 and 10) with the ability to move forward on its other prospective exploration projects.

