



Financial Statements

Years Ended

December 31, 2009 and 2008

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, 2009. 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, 2009, as stated in their auditors' report, parker simone LLP has provided such opinions.



Robert J. Kasner
President and Co-Chief Executive Officer



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

May 27, 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, 2009 and 2008 and the statements of operations and deficit, comprehensive loss, accumulated other comprehensive income (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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in blue ink that reads "Parker Simone LLP". The signature is written in a cursive, flowing style.

May 27, 2010
Mississauga, Ontario

Licensed Public Accountants

GLR Resources Inc.
Balance Sheets
(Canadian dollars)

<i>As at December 31,</i>	2009	2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents <i>(Note 3)</i>	154,070	114,963
Restricted cash <i>(Note 3)</i>	582,589	-
Taxes recoverable	75,093	4,106
Other receivables	371,519	3,948
Prepaid expenses <i>(Note 4)</i>	1,946	-
Assets held for sale <i>(Notes 5 and 14)</i>	1	300,001
Due from related parties <i>(Note 8)</i>	9,773	84,099
	1,194,991	507,117
Investments <i>(Note 2)</i>	1,095,708	25,089
Property, plant and equipment <i>(Note 6)</i>	128,449	6,970,944
Mineral properties and deferred expenditures <i>(Note 5)</i>	1,936,657	2,400,865
	4,355,805	9,904,015
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities <i>(Note 8)</i>	954,875	1,531,061
Promissory note payable <i>(Note 11)</i>	-	2,000,000
Current portion of long-term debt <i>(Note 7)</i>	13,950	-
	968,825	3,531,061
Long-term liabilities		
Long-term debt <i>(Note 7)</i>	46,462	-
	46,462	-
	1,015,287	3,531,061
Shareholders' equity		
Capital stock <i>(Note 9)</i>	17,234,186	17,764,186
Contributed surplus <i>(Note 10)</i>	3,415,474	3,415,474
Accumulated deficit	(17,214,462)	(14,797,182)
Accumulated other comprehensive loss	(94,680)	(9,524)
	3,340,518	6,372,954
	4,355,805	9,904,015

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>	2009	2008
	\$	\$
Revenues		
Management fees <i>(Note 8)</i>	-	331,539
	-	331,539
Operating expenses		
Restructuring costs	1,079,069	-
Bad debt expense <i>(Note 8)</i>	78,292	-
Interest, penalties and financing costs	315,932	861,537
Office and general <i>(Note 8)</i>	135,090	262,950
Public relations	20,711	56,160
Professional fees	259,582	345,430
Shareholder information	8,049	47,892
Consulting	-	246,290
Management fees, salaries and benefits	158,814	786,415
Foreign exchange (gain) loss	(29,594)	-
Write-down of mineral properties and deferred exploration expenditures <i>(Note 5)</i>	1,156,884	2,930,538
Write-off (recovery) of supplier deposits <i>(Note 14)</i>	(300,000)	4,929,735
Write-down of property, plant and equipment <i>(Note 6)</i>	-	1,631,698
Write-off of deferred finance charges	-	468,940
Stock-based compensation	-	59,402
	2,882,829	12,626,987
Other income (expense)		
Sale of Goldfields Mine assets	6,942,135	-
Cost of Goldfields Mine assets sold	(6,972,397)	-
Loss on sale of securities	(34,609)	-
Interest	420	37,883
	(64,451)	37,883
Net loss before taxes	(2,947,280)	(12,257,565)
Future income tax recoveries <i>(Note 12)</i>	530,000	1,255,312
Net loss for the year	(2,417,280)	(11,002,253)
Deficit at beginning of year	(14,797,182)	(3,794,929)
Deficit at end of year	(17,214,462)	(14,797,182)
Net loss per share—basic and fully diluted	(0.04)	(0.18)
Weighted average number of shares (000's) – basic and fully diluted	63,595	62,112

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

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

<i>Year Ended December 31,</i>	2009	2008
	\$	\$
Net loss	(2,417,280)	(11,002,253)
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	(85,156)	(73,000)
Total comprehensive loss	(2,502,436)	(11,075,253)

<i>Accumulated other comprehensive income (loss) as at December 31,</i>	2009	2008
	\$	\$
Accumulated other comprehensive income (loss), beginning of year	(9,524)	63,476
Unrealized gain (loss) on available-for-sale securities	(85,156)	(73,000)
Accumulated other comprehensive loss, end of year	(94,680)	(9,524)

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>	2009	2008
	\$	\$
Operations		
Net loss	(2,417,280)	(11,002,253)
Adjustments to reconcile net (loss) to cash flow from operating activities:		
Amortization	1,652	30,253
Write-down of mineral properties and deferred exploration expenditures	1,156,884	2,930,538
Write-off (recovery) of deposits held by suppliers	(300,000)	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 Goldfields Mine assets	30,262	-
Bad debt expense	78,292	-
Loss on sale of securities	34,609	-
Stock-based compensation	-	59,402
Future income taxes (recoveries)	(530,000)	(1,255,312)
Net change in non-cash working capital items:		
Restricted cash	(582,589)	-
Taxes recoverable	(70,987)	64,308
Other receivables	-	(3,948)
Prepaid expenses and advances	(1,946)	45,629
Assets held for sale	300,000	13,000
Due from related parties	(3,966)	13,388
Accounts payable and accrued liabilities	(576,187)	663,721
Cash flow used in operating activities	(2,881,256)	(1,410,901)
Financing		
Issuance of common share (net of issuance costs)	-	3,945,125
Promissory note	(2,000,000)	-
Long-term debt (Note 7)	60,412	-
Cash flow from (used in) financing activities	(1,939,588)	3,945,125
Investments		
Proceeds from sale of Goldfields Mine assets	5,656,682	-
Proceeds from sale of securities	27,497	-
Expenditures on mineral properties and deferred expenditures	(682,048)	(424,768)
Property, plant and equipment	(142,180)	(1,720,554)
Advances to suppliers	-	(2,027,680)
Cash flow from (used in) investing activities	4,859,951	(4,173,002)
Net increase (decrease) in cash and cash equivalents	39,107	(1,638,778)
Cash and cash equivalents at beginning of year	114,963	1,753,741
Cash and cash equivalents at end of year	154,070	114,963

Supplemental information (Note 16)

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

GLR Resources Inc.
Notes to the Financial Statements
Years ended December 31, 2009 and 2008

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 Note 15). 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, 2009 and 2008

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 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. On December 31, 2009, Linear reimbursed GLR in the amount of \$300,000 (See Note 14-Commitments and Contingencies).

After adjustments, Blackfish together with the unsecured creditors of GLR were fully repaid out of the Proposal proceeds and GLR was 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 recognized 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. Gains and losses realized on disposition of securities are recorded on a trade date basis.

Investments

Investments include 835,121 shares of RJK Explorations Inc. ("RJK"), 136 shares of SRI and 530,172 shares of Linear, all publicly-traded Canadian companies listed on the TSX and TSX-V. As at December 31, 2009, these available-for-sale investments have been measured at their fair value, as determined by the closing price of the securities on December 31, 2009. In late December 2009 GLR sold 530,172 Linear shares for net proceeds of \$395,069, of which \$367,572 was recorded as an other receivable at December 31, 2009.

Financial Instruments

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in the statement of operations; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in the statement of operations; financial assets which are available-for-sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in the statements of comprehensive income and accumulated other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest method and recognized in the statement of operations.



GLR Resources Inc.
Notes to the Financial Statements
Years ended December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

Effective January 1, 2009, GLR adopted an amendment to CICA Handbook Section 3862, financial instruments, which requires disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2: inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly;
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data.

The Company expenses transaction costs relating to its financial instruments.

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 mineral 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.

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.

GLR Resources Inc.
Notes to the Financial Statements
Years ended December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

The amount of mineral exploration and mining tax credit reduces the Company's capitalized mineral property costs.

The amounts shown for mineral properties and related deferred expenditures represent costs incurred to-date, less write-offs and recoveries, and do not necessarily reflect present or future values of particular properties.

Property, Plant and Equipment

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

Foreign Exchange

Monetary assets and liabilities have been translated at the exchange rate prevailing at the balance sheet dates. Income and expenses are translated at rates prevailing at the dates of the related transactions. Non-monetary assets, liabilities are translated at historic rates. Gains and losses on foreign exchange for the year are included in the statements of operations.

Income Taxes

GLR follows the asset and liability method of accounting for income taxes. Under this 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 effect at the balance sheet date, 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 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 in respect of stock option issuances 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 fair value of all issued options and warrants. The table below summarizes the weighted average factors used with the Black-Scholes



GLR Resources Inc.
Notes to the Financial Statements
Years ended December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

model for determining the value of the stock-based costs for the stock options and warrants issued in 2009 and 2008.

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

	2009	2008
Dividend Yield	-	-
Expected volatility	-	63.0%
Risk-free interest rate	-	3.4%
Expected life (years)	-	3

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 discount interest factor that was applied in the initial measurement of fair value and the asset is amortized in accordance with the corresponding policy. 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, 2009 and 2008, 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 mineral property exceeds the estimated fair value, which is normally the undiscounted 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 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, 2009 and 2008.



GLR Resources Inc.
Notes to the Financial Statements
Years ended December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements

i) International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a 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 is currently being evaluated.

(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) 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 does not expect that the adoption of these new Sections will have a material impact on its financial statements.

3. Cash, Cash Equivalents and Restricted Cash

The cash balance at December 31, 2009, contains cash on deposit of \$154,070 (2008 - \$114,963) and no cash equivalents.



GLR Resources Inc.
Notes to the Financial Statements
Years ended December 31, 2009 and 2008

3. Cash, Cash Equivalents and Restricted Cash (continued)

Restricted cash at December 31, 2009, consists of cash and certificates of deposit. This restricted cash is held in trust by the Trustee in its capacity as trustee in bankruptcy. Subsequent to year end, the Company reached a settlement with a former officer of the Company who appealed the disallowance of his claim (See Note 14-Commitments and Contingencies) which will allow the Trustee to disburse the remaining funds to GLR, net of costs incurred subsequent to year end.

4. Prepaid Expenses

The Company had prepaid \$1,947, in respect of the January 2010 office rent, to a company controlled by the President of GLR.

5. Mineral Properties and Deferred Expenditures

The following table summarizes the Company's mineral properties and deferred expenditures for the year ended December 31, 2009:

	Opening Balance (\$)	Additions (\$)	Adjustments and disposals (\$)	Net (\$)
Stares, Ontario	790,722	-	(790,722)	-
Sackville, Ontario	-	311,436	-	311,436
Goldie, Ontario	498,519	13,306	-	511,825
Baldwin, Ontario	319,414	144,095	-	463,509
Kirkland West, Ontario	249,972	1,208	-	251,180
Casa Berardi, Quebec	29,480	233,224	-	262,704
Golden Pond, Saskatchewan	341,488	-	(341,488)	-
General and other	171,270	(9,462)	(25,805)	136,003
	2,400,865	693,807	(1,158,015)	1,936,657

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, 2009 and 2008

5. Mineral Properties and Deferred Expenditures (continued)

Effective January 9, 2009, GLR sold its Hurd McCauley property for \$300,000 in cash. During 2008, 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.

Pursuant to a re-instated option agreement in respect of its Boudreault property, the Company made a \$10,000 payment. In order to exercise its right to acquire the Boudreault property under the re-instated option, GLR is required to make a cash payment of \$15,000 and issue 25,000 shares in the capital of the Company on or before December 1, 2010.

During 2009, GLR received a refund of a \$30,440 deposit in lieu of work in respect of the Martin Lake, Saskatchewan Project.

6. Property, Plant and Equipment

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Goldfields Mine						
Property	-	-	-	6,029,536	-	6,029,536
Buildings	-	-	-	898,150	-	898,150
Equipment	-	-	-	15,000	-	15,000
Corporate						
Exploration equipment	121,843	-	121,843	20,000	-	20,000
Office furniture and fixtures	36,776	30,170	6,606	36,776	28,518	8,258
	158,619	28,518	128,449	6,999,462	28,518	6,970,944

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

7. Long-term Debt

Long-term debt arises from the purchase of a truck during December 2009 for use in operations by the President of the Company. The loan is for a period of 48 months, is fully secured and bears interest at the rate 5.9% per annum.

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.



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8. Related Party Transactions (continued)

	2009	2008
Transactions during the year:	\$	\$
Exploration expenditures	49,234	52,683
Management and professional fees	393,000	362,618
Administrative costs	24,126	22,245
Automotive equipment	17,000	-
Management fees received	-	331,539
Related party advances and fees receivable:	\$	\$
Management fees	-	76,720
Other (non-interest bearing, no fixed terms of repayment)	9,128	7,379
	9,128	84,099
Related party payables included in:	\$	\$
Accounts payable and accrued liabilities	101,699	43,061

Exploration expenditures were indirectly paid to the brother of a director and President of GLR. During 2009, the Company indirectly paid \$306,250 to senior officers of the Company for management services rendered and \$86,750 to three directors in their capacity as members of the Special Committee. During 2008, management fees include amounts 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 (See Note 14-Commitments and Contingencies). GLR was entitled to a management fee calculated as a percentage of expenditures incurred on certain properties on which SRI conducted 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. During 2009 GLR provided for 100% of UCR's unpaid management fees of 78,292 as a bad debt.

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

Accounts payable is comprised of \$75,750 payable to members of the Special Committee for fees earned during the period that the Company was subject to the forbearance agreement with Blackfish and BIA proceedings. The remainder consists of fees payable in respect of exploration costs and the purchase of a truck at a cost of \$17,000 from the brother of the President. The latter cost was not incurred in the normal 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.



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9. Capital Stock (continued)

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

	Number of Shares	\$
Balance at December 31, 2007	53,868,024	14,968,061
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)
Balance at December 31, 2008	63,595,024	17,764,186
Future income taxes	-	(530,000)
Balance at December 31, 2009	63,595,024	17,234,186

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.

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	-



GLR Resources Inc.
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9. Capital Stock (continued)

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

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

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

The Company paid the agents 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.

Warrants

The outstanding warrants at December 31, 2009 to purchase Class A Voting Common Shares are summarized as follows:

Month of Expiry	No. of Warrants	Exercise Price \$
February 2010	3,324,750	0.60
March 2010	391,200	0.60
	3,715,950	0.60

Subsequent to December 31, 2009, all warrants expired unexercised.



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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, 2009 the Company had 4,229,502 (2008 – 3,409,502) options available for issuance. A continuity of the unexercised options to purchase Class A Voting Common Shares is as follows:

	2009		2008	
	Weighted Average Exercise Price (\$)	No. of Options	Weighted Average Exercise Price (\$)	No. of Options
Outstanding at beginning of year	0.52	2,950,000	0.52	4,500,000
Transactions during the year:				
Exercised	-	-	-	-
Granted	-	-	0.18	100,000
Forfeited	0.51	(475,000)	-	-
Expired	0.46	(345,000)	0.51	(1,650,000)
Outstanding at end of year	0.53	2,130,000	0.52	2,950,000
Exercisable at end of year	0.53	2,130,000	0.52	2,850,000

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

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.35	200,000	0.8	0.35
\$0.40	230,000	1.6	0.40
\$0.50 - \$0.60	1,630,000	1.8	0.57
\$0.70	70,000	2.8	0.70
\$0.18 - \$0.70	2,130,000	1.7	0.53



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10. Contributed Surplus

	\$
Balance at December 31, 2007	3,017,072
Value of options issued	59,402
Value of warrants issued	339,000
Value transferred on exercised options and warrants	-
Balance at December 31, 2008 and 2009	3,415,474

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.

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 Note 1-Nature of Operations and Going Concern, Restructuring).

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 Note 5-Mineral Properties and Deferred Expenditures and Note 6-Property, Plant and Equipment). 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. A portion of the proceeds were used to repay all indebtedness to Blackfish.

12. Income Taxes

The Company has \$7,057,178 (2008 - \$7,728,000) 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 \$3,663,677 (2008 - \$2,023,000) 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 Resources Inc.
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12. Income Taxes (continued)

GLR's future income tax asset in 2009 and 2008 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.

Future Income Taxes Recoverable

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

	December 31, 2009	December 31, 2008
	(\$)	(\$)
Expected income tax (recovery) loss at federal and provincial statutory rates	(972,602)	(4,106,284)
Change in tax rates	265,444	(490,219)
Financing costs	(87,758)	139,963
Expenses capitalized for tax purposes	56,275	1,730,585
Non-deductible expenses	64,375	-
Recognition of tax asset not previously recognized	-	(1,255,312)
Share issue costs	(530,000)	(1,255,312)
Write down of mineral properties, property, plant, equipment	381,952	1,528,347
Stock-based compensation	-	19,900
Sale of assets	271,831	-
Other	(13,069)	(13,650)
Change in valuation allowance	33,552	2,446,670
Future income taxes recoveries	(530,000)	(1,255,312)

Future Income Tax Asset

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

	December 31, 2009	December 31, 2008
	(\$)	(\$)
Future income tax assets:		
Mineral property, plant and equipment	1,291,650	1,452,112
Financing arrangements	167,620	260,554
Loss carryforwards	807,840	586,568
Unrealized losses on "available-for-sale" investments	146,008	147,436
Future income tax asset before valuation allowance	2,413,118	2,446,670
Valuation allowance	(2,413,118)	(2,446,670)
	-	-



GLR Resources Inc.
Notes to the Financial Statements
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13. Financial Instruments and Risk Management

The Company's financial assets and liabilities consist of cash and cash equivalents, restricted cash, accounts receivable, due from related parties, investments, accounts payable and accrued liabilities and long-term debt. Cash is classified as held-for-trading and is carried at fair value.

Fair Value of Financial Assets and Liabilities

The carrying amounts of the Company's financial assets and liabilities, exclusive of available-for-sale investments, approximate fair values because of the limited term of these instruments. Investments classified as available-for-sale are measured at their fair values using level 1 quoted prices in an active market. The Company has made the following classifications:

As at December 31, 2009				
Designation of financial assets	Held for trading	Loans and	Available-for-sale	Total
	(\$)	receivables	securities	(\$)
		(\$)	(\$)	
Cash and cash equivalents	154,070	-	-	154,070
Restricted cash	-	582,589	-	582,589
Receivables	-	446,612	-	446,612
Due from related parties	-	9,773	-	9,773
Investments	-	-	1,095,708	1,095,708
Total	154,070	1,038,974	1,095,708	2,288,752

As at December 31, 2009			
Designation of financial liabilities	Held for trading	Other financial	Total
	(\$)	liabilities	(\$)
		(\$)	
Accounts payable and accrued liabilities	-	954,875	954,875
Long-term debt	-	60,412	60,412
Total	-	1,015,287	1,015,287

Risk Management of Financial Assets and Liabilities

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.



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13. Financial Instruments and Risk Management (continued)

b) Interest rate risk

The amount due to Blackfish bore interest at 30-day LIBOR plus 0.5%. As the loan has been paid, the Company has no continuing, material exposure to changes in interest rates. The truck financing loan described in Note 7-Long-term debt bears interest at a fixed rate.

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

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 may not be able 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 December 31, 2009, 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

The Company may become subject to tax audits of the flow-through expenditures renounced to investors; however, the Company believes that all Canadian Exploration Expenditures were effected and renounced in compliance with the prescribed regulations of the *Income Tax Act (Canada)*.

Pursuant to the Proposal to creditors and approval by the Court of the Company’s restructuring plan (See Note 1-Restructuring), 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, appealed the disallowance of his claim for severance, punitive damages and reimbursement of legal costs. The claim amount for severance, aggregating \$360,000 was accrued in the accounts during 2008. During May 2010, the Company and the former officer reached a settlement whereby the Company delivered \$125,000, in cash, and equipment which had been previously written down to \$1 and classified as held for sale. The accrual for settlement was adjusted and the statement of operations credited for the excess salaries previously



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14. Commitments and Contingencies (continued)

accrued. Subsequent to year end and pursuant to a settlement agreement, the Trustee paid the cash portion to settle the claim and the Company executed a bill of sale that delivered the equipment to the former officer. As part of the settlement, each of the former officer and the Company released each other from further claims.

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 \$996,000 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 due to uncertainty in respect of Linear's procurement plans.

Subsequent to year end, GLR signed a one-year lease extension on the Kirkland Lake premises. Pursuant to the terms of the renewed lease agreement, the Company is committed to paying approximately \$22,245, during 2010, to a company owned by the President of GLR.

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.

During its 2009 restructuring under the Bankruptcy and Insolvency Act, the Company was subject to certain externally imposed capital restraints in respect of its 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).



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16. Supplemental Cash Flow Information

	2009	2008
	\$	\$
Income taxes paid	-	-
Interest paid	30,852	87,007
Future income taxes-		
Future tax benefit forgone by issuance of flow-through shares	-	810,000
Capital stock-		
Warrants issued for financial services	-	(339,000)
Future income taxes	(530,000)	(810,000)
Contributed surplus-		
Warrants issued for financial services	-	339,000
Stock options issued	-	59,402

