

GLR Resources Inc.

**Audited
Financial Statements**

**Years Ended
December 31, 2006 and 2005**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of GLR Resources Inc., or the Company, have been prepared by management in accordance with accounting principles generally accepted in Canada and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide assurance that transactions are authorized, assets safeguarded and proper records maintained.

The Audit Committee of the Board of Directors has reviewed with the Company's independent auditors the scope and results of the annual audit and the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, parker simone LLP, are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.



R. J. Kasner
President and Chief Executive Officer



S. M. Gledhill
Chief Financial Officer

January 31, 2007

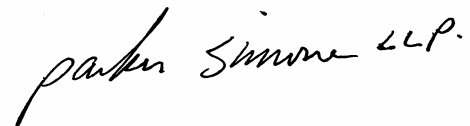
AUDITORS' REPORT

To the Shareholders of GLR Resources Inc.

We have audited the balance sheets of GLR Resources Inc. as at December 31, 2006 and 2005 and the statements of operations and deficit 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



January 31, 2007
Mississauga, Ontario

Licensed Public Accountants

GLR Resources Inc.
Balance Sheets
(Canadian dollars)

<i>As at December 31,</i>	2006	2005
	\$	\$
Assets		
Current assets		
Cash and cash equivalents <i>(Note 2)</i>	1,797,012	1,139,335
GST recoverable	11,938	21,916
Prepaid expenses and advances <i>(Note 3)</i>	25,000	10,000
Due from related parties <i>(Note 7)</i>	270,686	62,803
	2,104,636	1,234,054
Investments <i>(Note 1)</i>	37,600	37,600
Mineral properties and deferred expenditures <i>(Note 4)</i>	7,342,220	5,930,828
Capital assets <i>(Note 5)</i>	97,000	58,902
Deferred financing costs <i>(Note 6)</i>	439,343	-
	10,020,799	7,261,384
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities <i>(Note 7)</i>	52,683	164,604
	52,683	164,604
Long-term liabilities		
Note payable <i>(Note 6)</i>	-	50,000
Future income taxes <i>(Note 10)</i>	419,000	712,000
	419,000	762,000
	471,683	926,604
Shareholders' equity		
Capital stock <i>(Note 8)</i>	9,292,497	6,229,749
Contributed surplus <i>(Note 9)</i>	1,777,618	819,353
Accumulated deficit	(1,520,999)	(714,322)
	9,549,116	6,334,780
	10,020,799	7,261,384

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

Approved by the Board:

"Robert J. Kasner"

Robert J. Kasner
 Director

"John Cook"

John Cook
 Director

GLR Resources Inc.

Statements of Operations and Deficit
(Canadian Dollars except share and per-share amounts)

<i>Year Ended December 31,</i>	2006	2005
Revenues	\$	\$
Management fees	257,516	63,171
Interest	23,213	23,630
	280,729	86,801
Operating Expenses		
Financing fees	2,643	15,795
Office and general	173,334	178,034
Public relations	123,482	233,404
Professional fees	107,348	214,969
Shareholder information	42,370	74,456
Consulting	236,927	221,077
Salaries and benefits	129,115	218,958
Stock-based compensation	462,000	271,000
	1,277,219	1,427,693
	(996,490)	(1,340,892)
Gain on distribution of subsidiary's shares	-	4,027,912
Write-down of investment	-	(20,878)
Write-down of mineral properties & deferred exploration expenditures (Note 4)	(103,187)	(84,356)
Minority interests	-	50,270
Net income (loss) before taxes	(1,099,677)	2,632,056
Current income (taxes) recoveries	-	-
Future income (taxes) recoveries (Note 10)	293,000	(386,000)
Net income (loss) for the year	(806,677)	2,246,056
Deficit at beginning of year	(714,322)	(2,960,378)
Deficit at end of year	(1,520,999)	(714,322)
Net income (loss) per share – basic	(2.1)¢	7.3¢
Net Income (loss) per share – fully diluted	(2.1)¢	7.2¢
Weighted average number of shares (000's) - basic	39,112	30,697
Weighted average number of shares (000's) – fully diluted	39,112	30,799

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

GLR Resources Inc.

Statements of Cash Flow
(Canadian Dollars)

<i>Year Ended December 31,</i>	2006	2005
Operations	\$	\$
Net income (loss)	(806,677)	2,246,056
Adjustments to reconcile net income (loss) to cash flow from operating activities:		
Minority interests	-	(50,270)
Amortization	428	4,277
Gain on distribution of subsidiary shares	-	(4,027,913)
Write-down of investments	-	20,878
Write-off of mineral properties	103,187	84,356
Stock-based compensation	462,000	271,000
Future income taxes (recoveries)	(293,000)	386,000
Net change in non-cash working capital items:		
GST recoverable	9,978	(42,218)
Prepaid expenses and advances	(15,000)	(40,301)
Accounts payable and accrued liabilities	(111,921)	521,268
Cash flow used in operating activities	(651,005)	(626,867)
Financing		
Issuance of common share (net of issuance costs)	3,409,513	2,025,256
(Decrease)/increase in related party receivables	(207,882)	75,935
(Repayment)/increase in note payable	(50,000)	(215,650)
Deferred financing costs (Note 6)	(314,343)	-
Cash flow from financing activities	2,837,288	1,885,541
Investments		
Expenditures on resource assets and mineral properties	(1,556,411)	(2,987,327)
Sale of mineral property	79,395	-
Purchase of capital assets	(51,590)	(39,416)
Cash balance of divested subsidiary at divestiture	-	(480,103)
Cash flow used in investing activities	(1,528,606)	(3,506,846)
Net increase (decrease) in cash	657,677	(2,248,172)
Cash and cash equivalents at beginning of year	1,139,335	3,387,507
Cash and cash equivalents at end of year	1,797,012	1,139,335

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

GLR Resources Inc.

Notes to the Audited Financial Statements

Years ended December 31, 2006 and 2005

General

GLR Resources Inc. ("GLR", or the "Company") is a Federally incorporated company. GLR's principal business activity is that of a junior mineral exploration company with its primary focus of exploration being in Canada.

1. Summary of Significant Accounting Policies

Nature of Operations

GLR is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. 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 disposition of such properties.

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.

Consolidation

The Company distributed the shares of its subsidiary, Uranium City Resources Inc. ("UCR"), to its shareholders in August of 2005 (*note 5*). As such, the comparative statements of operations and cash flow for the year ended December 31, 2005 include the operations and cash flow of UCR for the period from January 1, 2005 to August 22, 2005, being the date of divestiture.

Going Concern

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. 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.

Revenue Recognition

The Company recognizes management revenue as earned on a quarterly basis as per the agreement between GLR and UCR. The Company recognizes interest revenue over the passage of time on a quarterly basis.

Income Taxes

GLR follows the liability method of accounting for income taxes. Under this method future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and guaranteed investments certificates ("GIC's") upon which interest accrues at 4.05% per annum to the benefit of the Company. The conditions of the GIC's provide for early withdrawal of partial amounts of no less than \$100,000 (or for balances less than \$100,000, the whole amount), in anticipation of Company cash requirements.

Mineral Properties

GLR defers the costs of exploration and capital assets on existing projects and carries them as assets until production commences. Mineral properties and the deferred exploration expenditures are recorded at cost and do not necessarily reflect present or future values. If a project is successful, the related mineral

GLR Resources Inc.

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properties and deferred exploration expenditures will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and the related deferred exploration expenditures are written-off.

Investment

The investment is recorded at the lower of cost or market and consists of 835,121 shares of RJK Explorations Ltd., a Canadian public company. As at December 31, 2006 and 2005, the cost of this investment was \$168,042.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the declining basis at rates varying from 10% to 30% per year.

Flow-Through Common Shares

Proceeds received on the issuance of common shares, which transfer the tax deductibility of mineral exploration expenditures to investors, are credited to the capital stock and the related exploration costs are charged to deferred exploration expenditures.

Net Income (Loss) per Share

Net Income (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 is recorded to contributed surplus. Contributed surplus is relieved of these costs to the extent that the value of any exercised options or warrants is less than the current market price of the shares acquired by the holder of the options warrants.

The Company uses the Black-Scholes option pricing model to determine the value of all issued options and warrants. The table below summarizes the assumptions used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2006 and 2005.

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

	2006	2005
Dividend Yield	-	-
Expected volatility	105.0%	105.0%
Risk-free interest rate	3.2%	4.0%
Expected life (years)	3	2

Asset retirement obligations

As the Company currently has no projects under construction, there is no legal obligation requiring remediation.

However, as the development of any project commences, senior management will assess whether an asset retirement obligation ("ARO") liability will arise. At the point where such liability arises, the financial

GLR Resources Inc.

Notes to the Audited Financial Statements

Years ended December 31, 2006 and 2005

statement adjustment required will be to increase the project's property value and related ARO liability by the discounted value of the total liability. Thereafter, the Company will be required to record a charge to earnings each year to accrete the discounted ARO obligation amount to the final expected liability.

Impairment of long-lived assets

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

2. Cash and cash equivalents

The balance at December 31, 2006, contains cash on deposit of \$1,231,901 (\$1,059,921 in 2005), and guaranteed investments certificates of \$564,415 (\$79,244 in 2005), bearing interest at 4.05% and maturing on June 18, 2007.

3. Prepaid expenses and advances

As at December 31, 2006, the Company advanced \$25,000 to a drilling contractor.

4. Mineral Properties and Deferred Expenditures

	2006	2005
Mineral Properties	\$	\$
Balance at beginning of year	546,511	892,942
Acquisitions, including properties acquired with issuance of common shares of \$24,500 (2005 - \$40,500)	57,140	132,420
Write downs	(5,000)	(4,851)
Divested subsidiary's mineral properties (Note 6)	-	(474,000)
Balance at end of year	598,651	546,511
Deferred Exploration Expenditures		
Balance at beginning of year	5,384,317	3,934,896
Deferred exploration expenditures, including amortization expense of \$13,063 (2005 – amortization of \$13,583)	1,536,834	2,908,990
Sale of mineral property	(79,395)	-
Write downs	(98,187)	(79,505)
Divested subsidiary's exploration expenditures (Note 5)	-	(1,380,064)
Balance at end of year	6,743,569	5,384,317
	7,342,220	5,930,828

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Years ended December 31, 2006 and 2005

Under its mineral properties option agreements, the Company is required to pay \$25,000 and issue 25,000 common shares in 2007.

5. Capital Assets

	2006		2005	
	Cost \$	Accumulated Amortization \$	Cost \$	Accumulated Amortization \$
Exploration equipment	132,722	50,672	81,133	45,420
Office furniture and fixtures	42,616	27,666	42,616	42,616
	175,338	78,338	123,749	64,847
Net Book Value	97,000		58,902	

6. Deferred Financing Fees

In February 2006, the Company entered into an agreement with Investec Bank (UK) Limited ("Investec") for the provision of project financing services for its Goldfields project. Under the terms of the agreement, Investec will arrange and underwrite the project debt (the "Facilities") for the Goldfields Project, located in Beaverlodge Area of Northern Saskatchewan. As compensation for its services under the agreement, an arranging fee of 2.5% of the amount of the Facilities will be paid to Investec. A monthly advance of US\$25,000 is being paid to Investec with such amount, in total, being deducted from the arranging fee upon completion of the Facilities. As at December 31, 2006, GLR has paid \$314,343 (2005 - \$Nil) to Investec. In addition, Investec has been issued 250,000 common shares of the Company valued at \$125,000 (Note 8).

These costs have been deferred and recorded as an asset on the balance sheet of the Company and will be amortized over the life of the project financing, once completed.

7. 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.

	2006	2005
Transactions during the year:	\$	\$
Exploration expenditures	124,000	138,000
Consulting fees	83,306	82,768
Administrative costs	20,066	18,000
Management fees earned	257,516	63,171
Related party advances and fees receivable:	\$	\$
Management fees	223,889	39,479
Other (non-interest bearing, no fixed terms of repayment)	46,797	23,324
	270,686	62,803

GLR Resources Inc.

Notes to the Audited Financial Statements

Years ended December 31, 2006 and 2005

	\$	\$
Related party payables included in:		
Accounts payable and accrued liabilities	2,326	14,820
Note payable (non-interest bearing, no fixed terms of repayment)	-	50,000

8. Capital Stock

Share Capital

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

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

	Number of Shares	\$
Balance at December 31, 2004	29,726,435	9,576,379
Issued for:		
Cash:		
Private placements	4,666,666	1,300,000
Options exercised	150,000	57,500
Broker warrants exercised	150,000	310,042
Mineral properties	100,000	40,500
Return of capital – distribution of UCR shares <i>(Note 5)</i>	-	(4,280,926)
Share issue costs	-	(102,285)
Value of broker warrants issued	-	(392,000)
Value of exercised options and warrants	-	9,539
Future income taxes	-	(289,000)
Balance at December 31, 2005	35,263,184	6,229,749
Issued for:		
Cash: Private placements	6,556,783	3,298,000
Broker warrants exercised	559,239	210,133
Mineral properties	75,000	24,500
Financing fees	250,000	125,000
Share issue costs	-	(98,620)
Value of broker warrants issued	-	(49,000)
Value of warrants issued	-	(457,100)
Value of exercised warrants	-	44,835
Balance at December 31, 2006	42,704,206	9,292,497

GLR Resources Inc.

Notes to the Audited Financial Statements

Years ended December 31, 2006 and 2005

The 2006 share issue costs consist of agent fees paid to Limited Market Dealer Inc. ("LMDI") of 5% of the gross proceeds raised (\$1,000,000) in the offering together with certain disbursement recoveries and due-diligence expense recoveries as payable to LMDI under the agency agreement.

Details of the Private Placements completed for the year ended December 31, 2006:

Month of issuance	Apr-06	Dec-06
Type of security issued	Units	Flow-through Units
No. of units issued	4,596,000	1,960,784
No. of broker units issued	-	196,078
Gross cash proceeds	\$2,298,000	\$1,000,000
Units entitle holders to:		
Common shares	4,596,000	-
Flow-through common shares	-	1,960,784
Common share purchase warrants	2,298,000	980,392
Exercise price of one common share purchase warrant	\$0.60	-
Exercise price of one common share purchase warrant until Dec. 19, 2007	-	\$0.65
Exercise price of one common share purchase warrant from Dec. 20, 2007 until Dec. 19, 2008	-	\$0.75
Broker units entitle holder to:		
Common shares	-	196,078
Common share purchase warrants	-	98,039
Broker warrant	-	-
Exercise price of one broker unit	-	\$0.51
Exercise price of one broker warrant until Dec. 19, 2007	-	\$0.65
Exercise price of one broker warrant from Dec. 20, 2007 until Dec. 19, 2008	-	\$0.75
Expiry date of broker units	-	Dec-08
Expiry date of warrants	Apr-08	Dec-08

The 2005 share issue costs consist of agent fees paid to Northern Security of 7% of the gross proceeds raised (\$1,300,000) in the offering together with certain disbursement recoveries and due-diligence expense recoveries as payable to Northern Securities under the agency agreement.

Details of the Private Placements completed for the year ended December 31, 2005 follows:

GLR Resources Inc.

Notes to the Audited Financial Statements

Years ended December 31, 2006 and 2005

Month of issuance	Dec-05	Nov-05
Type of security issued	Class B Units	Class A Flow-through Units
No. of units issued	2,000,000	2,666,666
No. of broker units issued	200,000	266,666
Gross cash proceeds	\$ 500,000	\$ 800,000
Units entitle holders to:		
Common shares	2,000,000	-
Flow-through common shares	-	2,666,666
Common share purchase warrants	1,000,000	1,333,333
Broker units entitle holder to:		
Common shares	200,000	266,666
Common share purchase warrants	100,000	-
Broker warrant	-	133,333
Exercise price of one broker unit	\$ 0.27	\$ 0.27
Exercise price of one broker warrant	\$ -	\$ 0.30
Exercise price of one common share purchase warrant	\$ 0.30	\$ 0.35
Expiry date of broker units	Dec-07	Nov-07
Expiry date of warrants	Dec-07	Nov-07

Warrants

The outstanding warrants at the year-end to purchase Class A Voting Common Shares are as follows:

Month of Expiry	No. of Warrants	Exercise Price \$
April 2007 ¹	3,338,333	0.50
November 2007	1,333,333	0.35
November 2007	125,747	0.27
November 2007	1,098,106	0.30
December 2007	76,862	0.30
December 2007	124,184	0.27
April 2008	2,298,000	0.60
December 2008	1,078,430	0.70 ²
December 2008	196,078	0.51
	9,669,073	0.50

¹ The original expiry date of these warrants (October 19th, 2006) was extended to April 19, 2007.

² Average exercise price. Actual exercise price is \$0.65 until December 19, 2007 and thereafter is \$0.75 until expiry on December 19, 2008.

GLR Resources Inc.

Notes to the Audited Financial Statements

Years ended December 31, 2006 and 2005

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 4,000,000 options (2005 – 3,000,000), less an amount equal to any options previously exercised. As at December 31, 2006 the Company had Nil (2005 – Nil) options available for issuance. A continuity of the unexercised options to purchase Class A Voting Common Shares is as follows:

	2006		2005	
	Weighted Average Exercise Price (\$)	No. of Options (000's)	Weighted Average Exercise Price (\$)	No. of Options (000's)
Outstanding at beginning of year	0.49	2,840	0.51	2,490
Transactions during the year:				
Exercised	-	-	0.38	(150)
Granted	0.49	1,775	0.44	1,200
Forfeited	0.30	(300)	0.56	(500)
Expired	0.54	(810)	0.30	(200)
Outstanding at end of year	0.49	3,505	0.49	2,840
Exercisable at end of year	0.51	2,855	0.49	2,840

The following table provides additional information about outstanding stock options at December 31, 2006.

Range of Exercise Prices	No. of Options Outstanding (000's)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.31 - \$0.50	2,075	3.44	0.42
0.51 - 0.65	1,430	3.01	0.60
	3,505	3.27	0.49

9. Contributed Surplus

	\$
Balance at December 31, 2004	165,902
Value of options issued	271,000
Value of broker warrants issued	392,000
Exercised options and warrants	(9,549)
Balance at December 31, 2005	819,353
Value of options issued	462,000
Value of warrants issued	541,100
Exercised options and warrants	(44,835)
Balance at December 31, 2006	1,777,618

GLR Resources Inc.

Notes to the Audited Financial Statements

Years ended December 31, 2006 and 2005

10. Income Taxes

The Company has \$5,990,000 (2005 - \$3,916,000) 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.

GLR's future income tax liability 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, 2006		December 31, 2005	
	(\$)	%	(\$)	%
Income taxes at Federal and Provincial statutory rates	(396,965)	(36.1)	950,000	36.1
Tax-free portion of capital gain on distribution of subsidiary shares	-	-	(715,600)	(27.2)
Expenses deductible for income tax purposes:				
Financing fees	(63,000)	(5.7)	-	-
Expenses not deductible for income tax purposes:				
Stock-based compensation	166,965	15.2	97,900	3.7
Write-down of investment	-	-	7,500	0.3
Other	-	-	46,200	1.8
Future income taxes (recoveries)	(293,000)	(26.6)	386,000	14.7

Future Income Tax Liability

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

GLR Resources Inc.

Notes to the Audited Financial Statements

Years ended December 31, 2006 and 2005

	December 31, 2006 (\$)	December 31, 2005 (\$)
Future tax asset:		
Net loss before future income tax recovery capitalized as part of exploration expenditures for income tax purposes	(293,000)	-
Future tax liability:		
Foregone future tax savings from renunciation of Canadian Exploration Expenditures to flow-through warrants subscribers	712,000	712,000
Future Income Tax Liability	419,000	712,000