



**Financial Statements**

**Years Ended**

**December 31, 2007 and 2006**

## 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, 2007. 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, 2007, as stated in their auditors' report. parker simone LLP has provided such opinions.



Robert J. Kasner  
President and Chief Executive Officer



David J. Layman  
Chief Financial Officer

March 17, 2008



## **parker simone LLP**

Chartered Accountants  
129 Lakeshore Road East  
Suite 201 Mississauga Ontario  
L5G 1E5  
T 905 271.7977  
F 905 271.7677

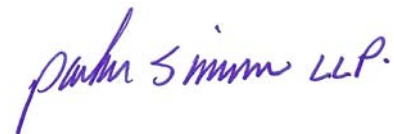
### **AUDITORS' REPORT**

To the Shareholders of GLR Resources Inc.

We have audited the balance sheets of GLR Resources Inc. as at December 31, 2007 and 2006 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



March 17, 2008  
Mississauga, Ontario

Licensed Public Accountants

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

<i>As at December 31,</i>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>(Note 3)</i>	1,753,741	1,797,012
Goods and services tax recoverable	68,414	11,938
Prepaid expenses and advances <i>(Note 4)</i>	45,629	25,000
Assets held for sale	13,000	-
Due from related parties <i>(Note 8)</i>	97,487	270,686
	<b>1,978,271</b>	2,104,636
<b>Investments</b> <i>(Note 2)</i>	112,776	37,600
<b>Property, plant and equipment</b> <i>(Note 7)</i>	9,264,252	5,326,863
<b>Mineral properties and deferred expenditures</b> <i>(Note 6)</i>	2,758,888	2,112,357
<b>Other assets</b> <i>(Note 5)</i>	3,466,833	439,343
	<b>17,581,020</b>	10,020,799
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities <i>(Note 8)</i>	867,340	52,683
Promissory note payable <i>(Note 11)</i>	2,000,000	-
	<b>2,867,340</b>	<b>52,683</b>
<b>Long-term liabilities</b>		
Future income taxes <i>(Note 12)</i>	460,000	419,000
	<b>460,000</b>	419,000
	<b>3,327,340</b>	471,683
<b>Shareholders' equity</b>		
Capital stock <i>(Note 9)</i>	14,968,061	9,292,497
Contributed surplus <i>(Note 10)</i>	3,017,072	1,777,618
Accumulated deficit	(3,794,929)	(1,520,999)
Accumulated comprehensive income <i>(Note 1)</i>	63,476	-
	<b>14,253,680</b>	9,549,116
	<b>17,581,020</b>	10,020,799

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

Approved by the Board:

*"Robert J. Kasner"*

Director

*"John Cook"*

Director

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

<i>Years Ended December 31,</i>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b>		
Management fees <i>(Note 8)</i>	166,007	257,516
Interest	50,625	23,213
	<b>216,632</b>	<b>280,729</b>
<b>Operating Expenses</b>		
Interest and financing fees	965,045	2,643
Office and general <i>(Note 8)</i>	301,896	173,334
Public relations	191,957	123,482
Professional fees	236,384	107,348
Shareholder information	57,509	42,370
Consulting	191,014	236,927
Salaries and benefits	172,351	129,115
Write-down of mineral properties and deferred exploration expenditures <i>(Note 6)</i>	-	103,187
Loss on disposal of equipment	191,923	-
Stock-based compensation	712,182	462,000
	<b>3,020,261</b>	<b>1,380,406</b>
<b>Net loss before taxes</b>	<b>(2,803,629)</b>	<b>(1,099,677)</b>
Future income tax recoveries <i>(Note 12)</i>	529,700	293,000
<b>Net loss for the year</b>	<b>(2,273,930)</b>	<b>(806,677)</b>
Deficit at beginning of year	(1,520,999)	(714,322)
<b>Deficit at end of year</b>	<b>(3,794,929)</b>	<b>(1,520,999)</b>
<b>Net loss per share—basic and fully diluted</b>	<b>(0.05)</b>	<b>(0.02)</b>
<b>Weighted average number of shares (000's) – basic and fully diluted</b>	<b>46,224</b>	<b>39,112</b>

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

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

<i>Year Ended December 31,</i>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Net loss	(2,273,930)	(806,677)
Other comprehensive income:		
Unrealized gain on available-for-sale securities	63,746	-
<b>Total comprehensive loss</b>	<b>(2,210,185)</b>	<b>(806,677)</b>

<i>Accumulated comprehensive income as at December 31,</i>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Accumulated unrealized gain on available-for-sale securities	63,476	-
<b>Accumulated comprehensive income</b>	<b>63,476</b>	<b>-</b>

*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>	<b>2007</b>	<b>2006</b>
<b>Operations</b>	<b>\$</b>	<b>\$</b>
Net income (loss)	(2,273,930)	(806,677)
Adjustments to reconcile net income (loss) to cash flow from operating activities:		
Amortization	6,604	428
Write-off of mineral properties	-	103,187
Loss on disposal of equipment	191,923	-
Stock-based compensation	712,182	462,000
Value of warrants issued as payment for interest and financing fees <i>(Note 11)</i>	858,300	-
Future income taxes (recoveries)	(529,700)	(293,000)
Net change in non-cash working capital items:		
GST recoverable	(56,476)	9,978
Prepaid expenses and advances	(20,629)	(15,000)
Accounts payable and accrued liabilities	814,657	(111,921)
<b>Cash flow used in operating activities</b>	<b>(297,069)</b>	<b>(651,005)</b>
<b>Financing</b>		
Issuance of common share (net of issuance costs)	5,891,786	3,409,513
(Decrease)/increase in related party receivables	173,199	(207,882)
Repayment of note payable	-	(50,000)
Promissory note payable	2,000,000	-
Deferred financing costs <i>(Note 5)</i>	(29,597)	(314,343)
<b>Cash flow from financing activities</b>	<b>8,035,388</b>	<b>2,837,288</b>
<b>Investments</b>		
Expenditures on resource assets and mineral properties	(634,781)	(376,425)
Sale of mineral property	-	79,395
Property, plant and equipment	(4,148,916)	(1,231,576)
Advances to suppliers <i>(Note 5)</i>	(2,997,893)	-
<b>Cash flow used in investing activities</b>	<b>(7,781,590)</b>	<b>(1,528,606)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(43,271)</b>	<b>657,677</b>
Cash and cash equivalents at beginning of year	1,797,012	1,139,335
<b>Cash and cash equivalents at end of year</b>	<b>1,753,741</b>	<b>1,797,012</b>

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

## **GLR Resources Inc.**

### **Notes to the Financial Statements**

**Years ended December 31, 2007 and 2006**

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

GLR Resources Inc. ("GLR", or the "Company") is a federally incorporated company. GLR is in the process of bringing a mine into production. GLR also 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 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.

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.

The Company's Goldfields project is located in northern Saskatchewan and is currently under construction to operate the project as an open-pit mine. In October 2007, the Company announced that it had entered into various contracts with major equipment suppliers for processing equipment. Advances have been made to suppliers of process equipment requiring a long lead time to manufacture. This provides time for the process equipment to be delivered on a schedule that anticipates commissioning of the plant and commencement of production in 2009.

#### **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 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.

#### **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. Outlined below are those policies considered particularly significant.

#### **Revenue Recognition**

The Company recognizes management revenue as earned as per an agreement between GLR and UCR. Interest revenue is accrued as earned.

#### **Investments**

The investments include 835,121 shares of RJK and 136 shares of UCR, both publicly-traded Canadian companies traded on the TSXV. As at December 31, 2007, these available-for-sale investments have been measured at their fair value, as determined by the closing price of the securities on the TSXV on December 31, 2007, resulting in an increase of \$75,146 in these investments and a corresponding increase in accumulated other comprehensive income of \$63,476 and a future income tax liability of \$11,700.



**Notes to the Financial Statements**

**Years ended December 31, 2007 and 2006**

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

**Changes in Accounting Policy**

**Financial Instruments**

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook sections 1530, *Comprehensive Income*; Section 3251, *Equity*; section 3855, *Financial Instruments-Recognition and Measurement*; section 3861, *Financial Instruments-Disclosure and Presentation*; and section 3865, *Hedges*. Application of these standards resulted in no changes to amounts previously reported.

Under the new standards, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale financial assets", "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

**Comprehensive Income**

Section 1530 of the CICA Handbook establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other non-owner sources. During the year, the Company classified its investments in RJK Explorations Ltd. ("RJK") and Uranium City Resources Inc. ("UCR") as available-for-sale. These securities were marked to their fair value at December 31, 2007 and the Company therefore made the following adjustments to its balance sheet to adopt the new requirements resulting in an increase of \$75,156 in Investments and an increase in accumulated comprehensive income of \$63,476 and future income liability of \$11,700.

**Hedging**

Section 3865 of the CICA Handbook specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and for the year ended December 31, 2007, the Company had no hedges in place.

The application of these new standards has no impact on the Company's financial statements as at and for the year ended December 31, 2007.

**Flow-Through Common Shares**

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

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

**Notes to the Financial Statements**

**Years ended December 31, 2007 and 2006**

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

***Mineral Properties***

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

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

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

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

***Property, Plant and Equipment***

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

***Income Taxes***

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

***Net Loss per Share***

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

Notes to the Financial Statements

Years ended December 31, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

**Issuance of Options and Warrants**

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

The Company uses the Black-Scholes option pricing model to determine the value of all issued options and warrants. The table below summarizes the weighted average assumptions used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2007 and 2006.

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

	2007	2006
Dividend Yield	-	-
Expected volatility	100.5%	105.0%
Risk-free interest rate	4.1%	3.2%
Expected life (years)	2	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 interest factor that was applied in the initial measurement of fair value and the asset is amortized over the estimated life of the related asset. The amount of the liability will be subject to re-measurement at the end of each reporting period. Any adjustment to this liability will impact the related asset. As at December 31, 2007 and 2006, the Company had no asset retirement obligations.

**Impairment of Long-Lived Assets**

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

**Measurement Uncertainty**

The preparation of financial statements required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

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.

Notes to the Financial Statements

Years ended December 31, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

**Cash and cash equivalents**

Cash and cash equivalents include cash on deposit (as at December 31, 2007 and 2006) and guaranteed investments certificates (2006 only) (“GIC’s”) upon which interest accrued at 4.05% per annum to the benefit of the Company (as at December 31, 2006). The conditions of the GIC’s provided 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.

**Account Reclassifications**

Certain prior year amounts have been reclassified to conform to account presentation in the current year.

3. Cash and cash equivalents

The balance at December 31, 2007, contains cash on deposit of \$1,753,741 (2006 - \$1,231,901), and guaranteed investments certificates (“GIC”) of \$Nil (2006 - \$565,111, bearing interest at 4.05% and maturing on June 18, 2007). The conditions of the GIC’s provided 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.

4. Prepaid expenses and advances

As at December 31, 2007, the Company advanced \$25,000 (2006 - \$25,000) to a drilling contractor and \$20,629 (2006 - \$Nil) in respect of travel costs.

5. Other Assets

At December 31, other assets are comprised of:

	2007	2006
	\$	\$
Advances to suppliers	2,997,893	-
Deferred financing costs	468,940	439,343
	3,466,833	439,343

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. As compensation for its services under the agreement, an arranging fee of 2.5% of the amount of the Facilities was be paid to Investec. A monthly advance commencing in January of 2006 and ending in January of 2007 of US\$25,000 has been paid to Investec with such amount, in total, to be deducted from the arranging fee upon completion of the Facilities. As at December 31, 2007, GLR has paid US\$300,000 (2006 - US\$275,000) to Investec. In addition, Investec was issued 250,000 common shares of the Company valued at \$125,000 (Note 10) in 2006.

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.

As at December 31, 2007 the Company had made advances of \$2,997,893 (2006 - \$Nil) to suppliers for commitments (Note 14) entered into with suppliers for construction of a process plant and refinery, crushing plant, certain mining equipment and trucks and engineering design services of \$2,997,893 (2006 - \$Nil).

**GLR Resources Inc.**

**Notes to the Financial Statements**

**Years ended December 31, 2007 and 2006**

**6. Mineral Properties and Deferred Expenditures**

The following table summarizes the Company's mineral properties and deferred expenditures:

	<b>Opening Balance (\$)</b>	<b>Additions (\$)</b>	<b>Disposals (\$)</b>	<b>Net (\$)</b>
Stares, Ontario	700,170	85,291	-	<b>785,461</b>
Goldie, Ontario	71,548	358,854	-	<b>430,402</b>
Hurd McAuley, Ontario	409,127	48,110	-	<b>457,237</b>
Baldwin, Ontario	274,287	39,374	-	<b>313,661</b>
Kirkland West, Ontario	240,709	7,439	-	<b>248,148</b>
Martin Lake, Saskatchewan	92,523	34,720	-	<b>127,243</b>
Dubnick Triangle, Saskatchewan	91,039	53,584	-	<b>144,623</b>
General and other	232,954	19,159	-	<b>252,113</b>
	<b>2,112,357</b>	<b>646,531</b>	<b>-</b>	<b>2,758,888</b>

During the year, the Company began the process of bringing the Goldfields Mine into production. Since the mine is now in development, this asset has been reclassified as property, plant and equipment.

**December 31, 2006**

	<b>Opening Balance (\$)</b>	<b>Additions (\$)</b>	<b>Disposals (\$)</b>	<b>Sold to UCR (\$)</b>	<b>Net (\$)</b>
Stares, Ontario	608,258	91,912	-	-	<b>700,170</b>
Goldie, Ontario	66,162	5,386	-	-	<b>71,548</b>
Hurd McAuley, Ontario	367,840	41,287	-	-	<b>409,127</b>
Baldwin, Ontario	216,926	57,361	-	-	<b>274,287</b>
Kirkland West, Ontario	235,802	4,907	-	-	<b>240,709</b>
Martin Lake, Saskatchewan	-	92,523	-	-	<b>92,523</b>
Dubnick Triangle, Sask.	60,797	30,242	-	-	<b>91,039</b>
General and other	338,229	77,307	(103,187)	(79,395)	<b>232,954</b>
	<b>1,894,014</b>	<b>400,925</b>	<b>(103,187)</b>	<b>(79,395)</b>	<b>2,112,357</b>

Under its mineral properties option agreements, the Company is required to make payments and issue common shares in future years, as follows:

<b>Year</b>	<b>\$</b>	<b>Shares</b>
2008	15,000	-
2009	25,000	-
2010	15,000	25,000
On production decision	-	50,000
	<b>55,000</b>	<b>75,000</b>



**GLR Resources Inc.**

**Notes to the Financial Statements**

**Years ended December 31, 2007 and 2006**

**7. Property, Plant and Equipment**

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Goldfields Mine						
Property	8,094,194	-	<b>8,094,194</b>	5,229,863	-	5,229,863
Buildings	708,852	-	<b>708,852</b>	-	-	-
Equipment	227,759	-	<b>227,759</b>	-	-	-
Corporate						
Exploration equipment	253,580	82,999	<b>170,581</b>	132,722	50,672	82,050
Office furniture and fixtures	99,756	36,890	<b>62,866</b>	42,616	27,666	14,950
	<b>9,384,141</b>	<b>119,889</b>	<b>9,264,252</b>	<b>5,405,201</b>	<b>78,338</b>	<b>5,326,863</b>

There has been no amortization recorded on the Goldfields mine assets as the Company has not started commercial production.

**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.

	2007	2006
Transactions during the year:	\$	\$
Exploration expenditures	213,250	124,000
Consulting fees	131,565	83,306
Administrative costs	22,450	20,066
Management fees earned	166,007	257,516
Related party advances and fees receivable:	\$	\$
Management fees	65,276	223,889
Other (non-interest bearing, no fixed terms of repayment)	32,211	46,797
	<b>97,487</b>	<b>270,686</b>
Related party payables included in:	\$	\$
Accounts payable and accrued liabilities	37,565	2,326



Notes to the Financial Statements

Years ended December 31, 2007 and 2006

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.

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

	Number of Shares	\$
<b>Balance at December 31, 2005</b>	<b>35,263,184</b>	<b>6,229,749</b>
Issued for:		
Cash: Private placements (net of issuance costs of \$98,620)	6,556,783	3,199,380
Broker warrants exercised	559,239	210,133
Mineral properties	75,000	24,500
Financing fees	250,000	125,000
Value of broker warrants issued	-	(49,000)
Value of warrants issued	-	(457,100)
Value of exercised warrants	-	44,835
<b>Balance at December 31, 2006</b>	<b>42,704,206</b>	<b>9,292,497</b>
Issued for:		
Cash: Private placements (net of issuance costs of \$298,561)	5,346,500	3,504,604
Options exercised	235,000	101,000
Warrants exercised	5,132,420	2,166,211
Broker warrants exercised	424,898	119,971
Mineral properties	25,000	11,750
Future income taxes	-	(559,000)
Value of Broker Warrants issued	-	(79,200)
Value transfer of exercised warrants and options	-	410,228
<b>Balance at December 31, 2007</b>	<b>53,868,024</b>	<b>14,968,061</b>

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

The 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.



**GLR Resources Inc.**

**Notes to the Financial Statements**

**Years ended December 31, 2007 and 2006**

**9. Capital Stock (continued)**

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

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

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

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	\$0.65 <sup>(2)</sup>
Broker units entitle holder to:		
Common shares	-	196,078
Common share purchase warrants	-	98,039
Exercise price of one broker unit	-	\$0.51
Exercise price of one broker warrant	-	\$0.65 <sup>(2)</sup>
Expiry date of broker units	-	Dec-08
Expiry date of warrants	Apr-08	Dec-08

(2) These warrants are exercisable at \$0.65 for the first 12 months from and then \$0.75 for the remaining 12 months from closing.



Notes to the Financial Statements

Years ended December 31, 2007 and 2006

9. Capital Stock (continued)

**Warrants**

The outstanding warrants at December 31, 2007 to purchase Class A Voting Common Shares are as follows:

Month of Expiry	No. of Warrants	Exercise Price \$
April 2008	2,298,000	0.60
October 2008	3,389,830	0.59
December 2008	1,078,431	0.75
December 2008	196,078	0.51
May 2009	225,000	0.80
September 2009	90,000	0.70
	<b>7,277,339</b>	

**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 (2006 – 4,000,000). As at December 31, 2007 the Company had 886,802 (2006 – Nil) options available for issuance. A continuity of the unexercised options to purchase Class A Voting Common Shares is as follows:

	2007		2006	
	Weighted Average Exercise Price (\$)	No. of Options	Weighted Average Exercise Price (\$)	No. of Options
Outstanding at beginning of year	0.49	3,505,000	0.49	2,840,000
Transactions during the year:				
Exercised	0.43	(235,000)	-	-
Granted	0.56	1,555,000	0.49	1,775,000
Forfeited	0.55	(225,000)	0.30	(300,000)
Expired	0.35	(100,000)	0.54	(810,000)
<b>Outstanding at end of year</b>	<b>0.52</b>	<b>4,500,000</b>	0.49	3,505,000
<b>Exercisable at end of year</b>	<b>0.53</b>	<b>4,020,000</b>	0.51	2,855,000



Notes to the Financial Statements

Years ended December 31, 2007 and 2006

9. Capital Stock (continued)

The following table provides additional information about outstanding stock options at December 31, 2007.

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.31 - \$0.50	2,145,000	3.1	0.44
0.51 - 0.70	2,355,000	3.1	0.59
<b>\$0.31 - \$0.70</b>	<b>4,500,000</b>	<b>3.1</b>	<b>0.52</b>

10. Contributed Surplus

	\$
<b>Balance at December 31, 2005</b>	819,353
Value of options issued	462,000
Value of broker warrants issued	541,100
Value transferred on exercised warrants	(44,835)
<b>Balance at December 31, 2006</b>	<b>1,777,618</b>
Value of options issued	712,182
Value of warrants issued	937,500
Value transferred on exercised options and warrants	(410,228)
<b>Balance at December 31, 2007</b>	<b>3,017,072</b>

11. Promissory Note

The Company has executed a promissory note (the "Note") providing for the repayment of \$2 million dollars to Blackfish Capital (Master) Fund 1 SPC ("Blackfish"), a fund related to Investec,. The Note bears interest, payable at the end of each quarter, at LIBOR plus 0.5% per 30-day period and matures on the earlier of (i) October 30, 2008; (ii) the date of the initial drawdown under the Facilities; or (iii) the occurrence of an event of default.

Under the terms of the Note, this loan is solely for the purposes for capital expenditures related to the Goldfields project in Saskatchewan. Also, GLR must maintain a positive net worth of \$7,500,000. GLR also retains the right to prepay without a premium or penalty in minimum integrals of \$500,000.

Under the terms of the Note, the Company issued 3,389,830 warrants to Blackfish. Each warrant entitles the holder to 1 common share of the Company for \$0.59 until October 31, 2008. The warrants were valued at \$858,300 using the Black- Scholes option pricing model with a risk-free rate of 4.23%, expected volatility of 99.57% and expected life of 1 year. In addition, the Company paid an arrangement fee of US\$60,000, legal fees of \$51,848, and due diligence costs of \$29,054.



Notes to the Financial Statements

Years ended December 31, 2007 and 2006

12. Income Taxes

The Company has \$8,692,000 (2006 - \$5,990,000) 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 \$472,900 (2006 - \$174,400) of loss carry-forwards and financing costs available to offset future taxable income. The tax benefits pertaining to these expenses are available to carry-forward for 20 years.

GLR's future income tax 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, 2007	%	December 31, 2006	%
	(\$)		(\$)	
Income taxes at Federal and Provincial statutory rates	(869,100)	(31.0)	(396,965)	(36.1)
Effect of change on carry-forward balance of utilized tax rate from 36.1% to 31.0%	(59,200)	(2.1)	-	-
Expenses deductible for income tax purposes:				
Financing fees	(92,600)	(3.3)	(63,000)	(5.7)
Expenses not deductible for income tax purposes:				
Stock-based compensation	220,800	7.9	166,965	15.2
Value of warrants issued as payment for interest and financing fees	266,100	9.5	-	-
Other	4,300	0.1	-	-
<b>Future income taxes recoveries</b>	<b>(529,700)</b>	<b>(18.9)</b>	<b>(293,000)</b>	<b>(26.6)</b>

**Future Income Tax Liability**

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

	December 31, 2007	December 31, 2006
	(\$)	(\$)
<b>Future tax asset:</b>		
Net loss before future income tax recovery capitalized as part of exploration expenditures for income tax purposes	(822,700)	(293,000)
<b>Future tax liability:</b>		
Foregone future tax savings from renunciation of Canadian Exploration Expenditures to flow-through share subscribers	1,271,000	712,000
Future tax payable on unrealized gains on "Available-for-sale" investments	11,700	-
<b>Future Income Tax Liability</b>	<b>460,000</b>	<b>419,000</b>



**Notes to the Financial Statements**

**Years ended December 31, 2007 and 2006**

**13. Financial Instruments**

**a) Fair value**

The carrying values of the Company's cash, due from related parties, accounts payable and accrued liabilities and promissory note payable approximate their fair values due to the relatively short periods to maturity of the instruments.

**b) Interest rate risk**

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

**c) Credit risk**

The Company is exposed to credit risk with respect to its goods and services tax recoverable; however, the risk is minimized because the amount due is from a subdivision of the Canadian federal government.

**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) Currency risk**

Although the Company's operations are conducted in Canadian dollars, it has entered into contracts, denominated in United States dollars, for the delivery of process plant and equipment. The Company has not hedged its exposure to the United States dollar.

**14. Commitments and Contingencies**

At December 31, 2007, the Company had entered in several contracts in order to commence construction of its Goldfields Mine. These contracts commit the Company to expending approximately \$20.8 million on process plant and equipment, of which \$3.0 million had been advanced to suppliers at December 31, 2007 (Note 5). Subsequent to December 31, 2007, the Company advanced an additional \$1.8 million to two suppliers. The ability of the Company to satisfy these commitments depends on its ability raise sufficient financing to complete construction and commence production.

**15. Subsequent Events**

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 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.



**Notes to the Financial Statements**

**Years ended December 31, 2007 and 2006**

**15. Subsequent Events (continued)**

During March, 2008, the Company completed a non-brokered private placement for aggregate gross proceeds of \$280,800 through the sale of 702,000 units of the Company at a price of \$0.40 per unit. Each unit is comprised of one Class A share of the Company and one-half of one share purchase warrant (each such whole share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase one share of the Company at a price of \$0.60 for a period of 24 months following closing. The Company paid the agents a cash commission 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.

