



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

DECEMBER 31, 2007

The following is Management's Discussion and Analysis ("MDA") of the financial condition and results of operations to enable a reader to assess material changes in financial condition and results of operations for the year January 1, 2007 through December 31, 2007. This MDA has been prepared as at March 30, 2008, unless otherwise indicated. This MDA is intended to supplement and complement the audited financial statements and notes thereto for the year ended December 31, 2007. All amounts are expressed in Canadian dollars unless otherwise indicated.

Overview

GLR Resources Inc. ("GLR" or the "Company") is a Canadian-based mining and exploration company incorporated under the Canada Business Corporations Act. The Company's primary project is development of its 100%-owned Goldfields Mine, located near Uranium City in northern Saskatchewan. The mine consists of two gold deposits, the Box and Athona deposits. The resources for these mines are summarized as follows:

	Tonnes (000's)	Grade (gm/tonne)	Contained ounces (000's)
Box Mine			
Measured	2,401	1.68	130
Indicated	14,500	1.34	623
Measured and indicated	16,901	1.39	753
Inferred	3,710	0.93	111
Athona Mine			
Indicated	7,000	1.28	289
Inferred	1,400	1.10	50

In a 43-101 compliant study commissioned by the Company, proven and probable mineable reserves at the Box Mine were estimated by Bikerman Engineering & Technology Associates, Inc. to be as follows:

	Tonnes	Grade (gm/tonne)	Ounces contained	Ounces recoverable
Proven	1,683,717	2.025	109,619	101,945
Probable	9,313,283	1.641	491,436	457,035
Total	10,997,000	1.700	601,007	558,937

Outlook for 2008

On March 6, 2008, the Company announced that the Saskatchewan Government-Environmental Assessment Branch had commenced the public review phase of the Environmental Study for the Box Mine portion of its Goldfields Mine with an expected completion date of April 15th, 2008. The successful completion of this public review process will enable the Company to complete an equity financing and project financing for development of the Goldfields Mine.

Subject to timing of the equity and project financing, GLR expects construction to commence late in the second quarter of 2008. Completion of construction and commissioning of the mine is expected during the second quarter of 2009.



Selected Annual Financial Information

Expressed in Canadian dollars , except share amounts	2007 \$	2006 \$	2005 \$
Cash and cash equivalents	1,753,741	1,797,012	1,139,335
Property, plant and equipment	9,264,252	5,326,863	4,095,716
Mineral interests	2,758,888	2,112,357	1,894,014
Total assets	17,581,020	10,020,799	7,261,384
Working capital (deficiency)	(889,069)	2,051,953	1,069,450
Long-term liabilities	460,000	419,000	762,000
Cash used in operations	(297,069)	(651,005)	(626,867)
Common shares issued for cash	6,190,256	3,508,133	1,667,542
Common shares outstanding	53,868,024	42,704,206	35,263,184
Revenue	216,632	280,729	86,801
Cost of operations before non-controlling interest and taxes	3,020,261	1,380,406	1,427,693
Net income (loss)	(2,273,930)	(806,677)	2,246,056
Net income (loss) per share- basic and diluted	(0.05)	(0.02)	0.07

Selected Quarterly Information

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

2006	Q1 \$	Q2 \$	Q3 \$	Q4 \$
Revenues	8,097	23,960	18,101	230,571
Expenses (recovery)	267,279	1,219,115	277,134	(383,122)
Net income (loss)	(191,932)	(1,115,585)	(190,612)	691,452
Basic and fully diluted income {loss} per share	(0.01)	(0.03)	(0.01)	0.02

Results of Operations

During 2007 GLR charged Uranium City Resources Inc. \$166,007 (2006-\$257,516) in respect of certain exploration and development projects. The reduced management fee income results from reduced exploration activity on properties jointly held with UCR.

Operating expenditures for 2007 totalled \$3,020,261 compared to \$1,380,406 during 2006.

Interest and financing costs totalled \$965,045 during 2007 compared to \$2,643. Arrangement fees of \$60,000 were paid to Blackfish Capital Fund for arranging a bridge financing of \$2.0 million. Interest accrued and interest paid on loans, through December 31, 2007, totalled \$29,712. In connection with the bridge facility 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 99.6% and expected life of 1 year. The full cost of the warrants was charged to operations as a finance fee. In addition, the Company paid \$12,020 in interest to Uranium City Resources Inc. for a bridge loan. Also included in interest expense is \$5,745 relating to Part XII.6 tax exigible on flow-through exploration costs, renounced as at December 31, 2006, but not incurred until after January 31, 2007.



Office and general expenses increased \$128,562 on increased promotional activity to raise financing for development of the Goldfields Mine and costs associated with opening and maintaining the Saskatoon office.

The cost of public relations increased \$68,475 on increased travel associated with contacting European and United States money managers and other increased activities associated with the hiring of a Vice-president, Investor Relations and Government Affairs.

Professional fees increased \$129,036 principally as a consequence of increased legal and audit costs associated with increased activity, structuring of the Company from a financial perspective and legal costs associated with arrangement of the bridge financing discussed in respect of interest and financing fees.

Costs associated with communication of shareholder information increased \$15,139 due to increased listing fees and mailing costs with respect to the increase in the number of shareholders arising from private placement financings during the year.

Consulting expense declined \$45,913 as a consequence of the Company moving into the development phase and thereby capitalizing certain engineering related costs. Consulting fees associated with designing the tailings dam and certain feasibility studies were captured as part of the cost of developing the Box Mine.

Salaries and benefits increased \$43,236 over 2006. This increase arises from the hiring of support staff in the Kirkland Lake and Saskatoon offices not directly related to development of the Goldfields Mine.

The \$191,923 loss on disposal of equipment results from the write-off of software development costs and subsequent sale of associated equipment that was to be used in remote control operations at the minesite. The Technical Committee decided to terminate the program as the cost versus benefit to operation of the mine was determined to be prohibitive. The write-off is net of \$13,000 recorded as an asset held-for-sale.

Stock-based compensation, which is a non-cash charge, increased on Black-Scholes valuations attributable to new options granted to personnel hired during the year and commencement of amortization of those valuations. In addition, the Company recorded an interest and finance fee charge of \$858,300 in respect of the valuation given the warrants issued to Blackfish in respect of the bridge financing.

During the year ended December 31, 2006, the Company wrote off the carrying value of its Dawson Lots property in Ontario. The Company has assessed the potential of its exploration portfolio and determined that no further write-down in carrying value is required for the year ended December 31, 2007.

Capital Resources and Liquidity

The financial statements are prepared in accordance with Canadian generally accepted accounting principles and on the assumption that GLR will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business as a going concern. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing and reach positive cash flows from operations. During 2007, the Company raised \$8,0190,256 through the placement of equity and debt instruments.

Construction of the Goldfields Mine

During 2007, the Company spent \$6,798,835 on its Goldfields Mine as follows:

	(\$)
Advances to suppliers	2,997,893
Property expenditures	2,864,331
Administration building	708,852
Other equipment	227,759
Total	6,798,835

In anticipation of completing the Investec Facilities, GLR will incorporate a wholly-owned subsidiary, Beaver Lodge Mining Corp., to serve as the special purpose vehicle ("SPV") to hold the Goldfields Mine assets. Through



December 31, 2007, GLR had made advances to suppliers in respect of building crushing and processing equipment and incurred engineering and procurement costs aggregating approximately \$4.9 million. Subsequent to year end, a further \$2.4 million has been spent on developing the Goldfields Mine. These costs, which exclude developmental drilling costs to further define resources at the Box and Athona Mines, will be rolled into the SPV.

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. 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.

As at December 31, 2007, the Company had advanced approximately \$2,997,893 to certain suppliers for construction and design work on the process plant and crushing facilities. These advances are reported as Other Assets at December 31, 2007. At year end, the Company had 5 full-time staff working in the engineering, procurement and contract management function.

Once the Environmental Impact Statement is approved and financing is in place, the Company will quickly move to the construction stage which is expected to start late in the second quarter of 2008. Should the Company meet these targets, construction should be completed approximately one year later and commissioning of the plant should begin late in the second quarter of 2009.

During 2007 the Company conducted major drill programs on the Box and Athona Mines to extend the resource base and determine pit design for the Box Mine. In addition, the Company incurred costs associated with preparation of the Environmental Impact Statement which was released by the Government of Saskatchewan during March 2008 for public comment, and which included engineering studies on the tailings impoundment area.

Mineral properties

The following table summarizes the Company's exploration activity during 2007:

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

Goldie property

During 2007, the Company expended approximately \$358,854 on exploring its 3,760-acre Goldie Property which is located in the Matawan gold belt approximately 50 kilometres west of Thunder Bay, Ontario. The Company holds a 50% joint venture interest in the property with RJK Explorations Ltd. ("RJK") which manages the exploration program. The Company and its joint venture partner have met all provisions under the option agreement with the vendors retaining a 2% Net Smelter Royalty subject to a 1% buy-back provision for a cash consideration of \$1.0 million.

The joint venture drilled 4,482 metres in two phases- May to July and November to December of 2007. Widely spaced, shallow drilling over an area 3 kilometres by 1.3 kilometres intercepted narrow intervals with values up to



12.55 g/t gold and two notably extensive intercepts of 10m at 2 g/t Au. The new discoveries followed IP testing of largely overburden-covered ground.

Historical drilling by previous operators (1997) and trenching on the property led to speculation that mineralization-while poorly defined at the time with respect to orientation and continuity- may have a flat-lying component. Preliminary interpretation of current intercepts supports possibility that some gold mineralization is indeed hosted within in a near-surface "halo-style" distribution. This is likely related to alteration, fine veining, smaller and (potentially) larger, repetitive structures over an extended area. On the other hand, newer information also suggests the possibility of a 0.7 km, steeper, mineralized "keel" (11000-11700E). Deeper drilling has not been the focus of work to date. The property and host rocks are exceptionally located in an area of major, regional geological (shallow and steep) discontinuities and intrusions.

Stares property

During 2007, the Company spent \$85,291 on its Stares property

The Stares property is an exploration project for polymetallic base and precious metals in the Shebandowan greenstone belt approximately 55 kilometres west of Thunder Bay, Ontario. The land position represents a nearly continuous parcel measuring six by twelve kilometers. The Company holds a 50% interest with its joint venture partner, RJK, retaining the other 50% interest. There are a total of 32 contiguous unpatented mining claims (390 units) and one patented mining claim and cover an aggregate total area of approximately 6,192 hectares in parts of Aldina, Marks, Sackville and Adrian Townships. The claims were acquired under an option agreement with the property vendors in 1999. The Company and its joint venture partner GLR Resources Inc. ("GLR") have met all provisions under the option agreement with the vendors retaining a 3% Net Smelter Royalty subject to a 2% buy-back provision.

Hurd McAuley property

During 2007, the Company spent \$48,110 on its Hurd McAuley property.

Drilling in early 2005 established the presence of three northerly-trending, mineralized and altered structures on the Hurd McAuley property. The Hurd McAuley property is adjacent to Highway 66 and between larger holdings by Kirkland Lake Gold Inc.'s Macassa division and Queenston Mining Inc. Heightened interest in newly interpreted, northerly-trending and deep structures in the Kirkland Lake camp at that time, led to a 2,180 metres, eight drill-hole campaign by the present company. The longest, steepest and last drill-hole (HM05-08) probed 629 metres of altered metasediment on this infrastructure-bound, 25-acre leasehold (patent). While values from the first seven holes ranged up to 3.1 gpt gold (0.11 opt, over narrow intervals), a deep, and most favourable intercept came from the HM05-08 (3.7 gpt gold, 0.11 opt, over 1.0 metre, 255.70-256.70 metres). Results from neighbouring operators, Kirkland Lake Gold and Queenston, continue to establish the presence of new deep gold zones on their joint venture ground (including the New South Mine Complex, 5000- and 5300-foot level drilling).

Baldwin property

During 2007, the Company spent \$39,374 on the Baldwin property.

Magnetic and IP surveys of the Boudreault Option were completed late in 2007. Preparations have been made for drilling of an extended, newly-interpreted, favourable ENE-trend of altered sediments and talc-chlorite schist. This trend extends to the historical, gold producing, Baldwin property held by the company; to extensive workings, trenching and drilling. Short drilling programs by the company from 1999-2006 have returned intercepts with gold values up to 3.6 grams per metric ton ("gpt", or 0.106 troy ounces per short ton over 1 metre) in similar rocks. The small Boudreault parcel and the larger Baldwin property straddle over 2 km of Highway 66, some 12.5 kilometres southwest of the Kirkland Lake, Ontario gold camp.



Liquidity

In order to finance the Goldfields Mine into production, the Company needs to raise approximately \$70 million. 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. 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 and bring the Goldfields Mine into production depends on its ability raise sufficient financing to complete construction.

During 2007, the Company raised \$8,190,256. Subsequent to year end, the Company raised gross proceeds of \$4.3 million to finance its on-going exploration programs and development of the Goldfields Mine.

Recent financings

Placement	Date	Type of financing	Price (\$)	Gross cash consideration \$
1,500,000 Class A shares	September 2007	Flow-through shares	0.50/share	750,000
96,500 Class A shares	September 2007	Private placement	0.55/share	53,075
3,750,000 Class A shares	November 2007	Flow-through shares	0.80/share	3,000,000
235,000 Class A shares	Year 2007	Exercise of employee options	0.43/share	101,000
5,132,420 Class A shares	Year 2007	Exercise of warrants	0.42/share	2,166,210
424,898 Class A shares	Year 2007	Exercise of broker warrants	0.28/share	119,971
Promissory note	October 2007	Debt	N/A	2,000,000
Total cash raised				8,190,256

On September 18, 2007 the Company completed a non-brokered private placement pursuant to which 1,500,000 Class A flow-through shares were issued at a price of \$0.50 per share for aggregate proceeds of \$750,000. In connection with the financing, the Company paid a finder's fee of \$45,000 and issued non-transferable warrants to purchase an aggregate of up to 90,000 Class A shares of the Company, exercisable at a price of \$0.65 per share until September 17, 2009 and thereafter at a price of \$1.00 per share.

During September 2007, three individuals subscribed for 96,500 Class A shares at a price of \$0.55 per share.

On November 25, 2007 the Company completed a brokered private placement pursuant to which 3,750,000 flow-through Class A shares were issued at a price of \$0.80 per share for aggregate proceeds of \$3,000,000. In connection with the financing, the Company paid the agents a cash commission of \$180,000 and issued non-transferable broker warrants to purchase an aggregate of up to 225,000 Class A shares of the Company, exercisable at a price of \$0.80 per share until May 23, 2009.

During 2007, employees exercised options to purchase an aggregate of 235,000 Class A shares at an average exercise price of \$0.43 per share.

During 2007, warrant holders exercised warrants to purchase an aggregate of 5,132,420 Class A shares at an average exercise price of \$0.42 per share. In addition, broker warrants were exercised to purchase an aggregate of 424,898 Class A shares at an average exercise price of \$0.28 per share.

Effective October 31, 2007, the Company completed a financing with Blackfish Capital (Master) Fund 1 SPC ("Blackfish Capital Fund") pursuant to which Blackfish Capital Fund advanced \$2,000,000 to the Company (the "Loan"). The loan has a maximum term of 12 months and bears interest at 30-day USD LIBOR plus 0.5% during the term of the Loan. 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. Pursuant to the terms of the loan agreement, the Company issued 3,389,830 warrants of the Company (each, a "Warrant") to Blackfish Capital Fund. Each Warrant entitles the holder thereof to purchase one Class A share of the Company



until October 31, 2008 at a price of \$0.59. The instrument governing the Warrants permits the holder of the Warrants to physically settle amounts due to the Company upon exercise of such Warrants by setting off such amounts owed by the Company to such holder pursuant to the Loan.

In connection with the placement of the Loan, the Company paid arrangement fees of \$US\$60,000 to Blackfish Capital Fund. A wholly-owned subsidiary of Investec Bank (UK) Limited ("Investec") owns a 50% interest in Blackfish Capital Fund. In addition, the Company paid \$29,054 to Micon International Limited, Investec's independent engineer.

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.

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.

Project Financing

Effective January 31, 2008, GRL entered into a non-binding arrangement with Investec Capital Markets, a division of Investec, to arrange project finance and hedging facilities ("Facilities") for an SPV which will be guaranteed by GLR and secured by the assets of the SPV. The Facilities will be established in order to finance the construction of the Goldfields Mine. This mandate replaces a previous mandate letter dated February 27, 2006 which had been extended from time-to-time.

The mandate contemplates that the Facilities shall comprise:

- 1) A term loan facility of USD 40.0 million;
- 2) A convertible facility of USD 5.0million; and
- 3) A gold hedge facility during the term of the Term Loan Facility.

The terms set out in the mandate letter do not constitute an unconditional commitment on Investec's part to underwrite and finance the Goldfields Mine into production. Investec's underwriting commitment is subject to completion of due diligence, documentation and Investec's final internal approvals.

GLR has agreed to provide Investec with an exclusive period to arrange and underwrite the Facilities until a date falling three months after completion of the permitting process.

As an Arranging Fee, GLR will pay Investec a fee equal to:

- a) 2.5% of the amount of the Term Loan Facility; and
- b) 3.0% of the amount of the Convertible Loan Facility;



together the "Arranging Fees". The Arranging Fees will become payable on the earlier of (i) the date falling three months after the date of signing the Facilities Documentation, and (ii) first drawdown under the Facilities. Should GLR not proceed with raising the Facilities, GLR will pay Investec a fee ("Break Fee") equal to one-half of the full amount of Investec's Arranging Fee, provided that such election not to proceed is made during the first three months following the signing of the mandate letter. Thereafter, the Break Fee shall be equal to the full amount of Investec's Arranging Fees. If the event that Investec materially reduces the Facilities as a consequence in project economics or material concerns raised by Investec's independent engineer in its assessment of the bankability of the Goldfields Mine, the Break Fee payable will be US\$50,000.

On March 6, 2008, GLR announced that the Saskatchewan Government-Environmental Assessment Branch had commenced the public review stage of the Environmental Impact Study for the Box Mine portion of its Goldfields Mine. The public review will be completed by April 15th, 2008. Section 11 of the Saskatchewan Environmental Assessment Act requires the Minister responsible for the Act make both the Environmental Impact Statement for a project and the conclusions of the associated project technical review available to the public for a 30-day review period.

Investec is awaiting the outcome of the Saskatchewan public review process.

Debt Offering

Effective March 21st, 2008, GLR entered into a letter of intent with M Partners Inc. to raise, on a best efforts basis, \$20 million. In its present form, GLR would offer 20,000 units of the Company at a price of \$1,000 per unit (the "Offering") by way of short form prospectus. Each unit will consist of \$1,000 principal amount of notes and 350 Class A shares of GLR. The notes will bear interest at 11% per annum and mature in five years.

The notes would be direct, unsecured, subordinated obligations of the Company ranking junior to the Senior Debt Financing; and equally with each other and with all other present and future unsubordinated and unsecured indebtedness of the Company. Other terms are subject to market conditions at the time of going to market.

Dividend Record

There are no restrictions that prevent the Company from paying dividends. The Company has not paid any dividends on its common shares during the last 5 fiscal years.

The Company currently has no intention of paying any dividends on its Class A shares. The Board of Directors of the Company will determine if and when dividends should be declared and paid in the future, based on the Company's financial position at the relevant time.

Disclosure Controls and Procedures

Management is responsible for the information disclosed in this management's discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. The Company has three officers, the Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary involved in preparation of the financial statements. The involvement of these officers in all aspects of the design and operation of disclosure controls and procedures was effective as at and for the year ended December 31, 2007 and provides reasonable assurance that all material information relating to the Company is disclosed. The audit committee is actively involved in quarterly reviews and is comprised of three independent directors.

During December 2007, the Company's Chief Financial Officer, Stephen Gledhill, stepped down and was replaced by Mr. David Layman who could devote more time to the affairs of the Company. There were no other changes in the operation of disclosure controls and procedures during 2007.



The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the year ended December 31, 2007. Based on this evaluation, management has concluded that the design of these internal controls and procedures over financial reporting was effective.

Critical Accounting Policies and Estimates

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

The financial statements follow the same accounting policies and methods set forth in the Company's audited financial statements as at and for the year ending December 31, 2006, except as noted below.

Section 3855-Financial Instruments-Recognition and Measurement

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 fair 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.

Commencing January 1, 2007, the Company began accounting for its investment in shares of RJK Explorations Ltd. and Uranium City Resources Inc. as available-for-sale financial assets. These securities were marked to their fair value at December 31, 2007 and the Company recorded the following adjustments to its balance sheet to adopt the new accounting standard resulting in an increase in the value of Investments to \$75,146, a net increase in accumulated comprehensive income of \$63,476 and an increase in the future income tax liability of \$11,700.

Section 1530-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.

Section 3865-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.

Future Changes in Accounting Policy

Capital Disclosure and Financial Instruments-Disclosure and Presentation

On December 1, 2006, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Handbook Section 1535-Capital Disclosures; Handbook Section 3862-Financial Instruments-Disclosure; and Handbook Section 3863-Financial Instruments-Presentation. These new accounting standards are effective for interim and annual financial statements for reporting periods beginning January 1, 2008.

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) qualitative data concerning what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.



Handbook Sections 3862 and 3863 replace Handbook Section 3861-Financial Instruments-Disclosure and Presentation, revising and enhancing disclosure requirements for financial instruments and carrying forward, unchanged, its presentation requirements. These new Handbook Sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company is assessing the impact of these accounting standards on its financial statements.

Share Capital

GLR's share capital consists of an unlimited number of Class A voting common shares and an unlimited number of non-voting, redeemable Class B Preferred Shares, Series A. This series of shares is redeemable by GLR, in whole or in part, at the rate of \$1,000 per Series A share. The holders of Series A shares are not entitled to receive dividends. There were no Class B Preferred Shares issued as at December 31, 2007.

As at December 31, 2007	
Class A common shares issued	53,868,024
Shares issuable pursuant to:	
Warrants	7,277,339
Stock options	4,500,000
Fully diluted December 31, 2007	65,645,363
Capital stock and equivalents issued subsequent to year end	
Shares	9,727,000
Warrants	2,863,500
Agent units	872,550
Fully diluted March 30, 2008	79,108,413

Related Party Information

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

	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
	97,487	270,686
Related party payables included in:		
Accounts payable and accrued liabilities	37,565	2,326



Risks

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

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

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

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

The Company's primary source of revenue will be the sale of gold bullion. Accordingly, changes in the market price of gold will significantly impact the Company's profitability and share price. The Company's financial results will be very sensitive to external economic factors related to gold price. A major risk will arise if there is a prolonged period of lower gold prices. Many factors beyond the Company's control influence the market price of gold. These factors include: global supply and demand; availability and costs of metal substitutes; speculative activities; international political and economic conditions; and production levels and costs in other gold-producing countries.

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

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

Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of protecting human health and the environment. Some of the issues currently under review by environmental agencies include reducing or stabilizing air emissions, mine reclamation and restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The

complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company expects that capital and operating expenditures will increase as a result of compliance with the introduction of new more and more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean-up orders, imposition of penalties, liability for related damages and the loss of operating permits. While the Company believes it is now in material compliance with existing environmental legislation, it cannot give assurances that it will, at all future times, be in compliance with all federal and provincial environmental regulations or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations.

The financing of the Company is dependent upon completion of environmental permitting in Saskatchewan. The mining industry is intensely competitive and the Corporation must compete in all aspects of its operations with a substantial number of other junior mining companies, some of which have greater technical and financial resources. The Company may be at a disadvantage with respect to some of its competitors in the acquisition and/or development of high potential mining properties throughout the principal markets and geographical areas in which the Company carries on its business activities.

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

Forward Looking Information

This MDA contains "forward looking information". Forward looking information includes, but is not limited to, statements concerning mineral resource estimates, the development budget for the Goldfields Mine, the expected timing of development of the Goldfields Mine and other statements which are not historical facts.

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

With respect to forward looking information contained in this MDA, the Company has made assumptions regarding, among other things, the Company's ability to generate sufficient cash flow from operations and access existing credit facilities and capital markets to meet its future obligations, the regulatory framework in the provinces in which its properties are located with respect to, among other things, permits, licenses, authorizations, royalties, taxes and environmental matters, and the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

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

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward looking information will prove to be accurate, as actual results and future events could differ materially from

those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information. The forward looking information contained herein, unless stated otherwise, is made as of the date of this MDA and the Company makes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

The mineral resource and mineral reserve figures referred to in this MDA are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource and reserve estimates referred to in this MDA are well established, by their nature resource and reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

Additional Information

Additional information relating to the Company, including its current annual information form, is available on SEDAR at www.sedar.com.

Robert J. Kasner
President and Chief Executive Officer

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

March 30, 2008

