

parker simone

**GLR
Resources Inc.**

**Audited
Financial Statements**

**Years Ended
December 31, 2003 and 2002**

parker simone

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Auditors' Report

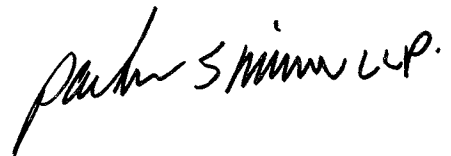
To the Shareholders of
GLR Resources Inc.

We have audited the balance sheets of GLR Resources Inc. as at December 31, 2003 and 2002 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, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

April 2, 2004

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

GLR Resources Inc.

Balance Sheets

<i>As at December 31,</i>	2003	2002
Assets		
Current Assets		
Cash	\$ 1,396,517	\$ 9,862
GST recoverable	23,389	2,402
Prepaid expenses (Note 6)	161,591	-
	1,581,497	12,264
Investment	125,961	142,024
Mineral Properties and Deferred Expenditures (Note 2)	3,385,433	3,043,872
Capital Assets (Note 3)	54,814	68,059
Deferred Financing Fee	-	36,645
	\$ 5,147,705	\$ 3,302,864
<hr style="border-top: 3px double #000;"/>		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 484,395	\$ 289,709
Due to related parties	90,000	65,000
	574,395	354,709
Shareholders' Equity		
Capital Stock (Note 6)	6,253,107	3,919,326
Deficit	(1,679,797)	(971,171)
	4,573,310	2,948,155
	\$ 5,147,705	\$ 3,302,864

Approved by the Board:

("Signed") Robert Kasner, Director

("Signed") Marvin Signer, Director

GLR Resources Inc.

Statements of Operations and Deficit

<i>Year Ended December 31,</i>	2003	2002
Operating Expenses		
Financing fees	\$ 255,982	\$ -
Office and general	231,669	119,072
Professional fees	102,774	37,658
Shareholder information	34,843	30,730
Consulting	29,631	27,736
Salaries and benefits	26,863	26,244
	681,762	241,440
	(681,762)	(241,440)
Gain on sale of investments	24,937	-
Write-down of investment	(41,000)	25,000
Write-down of mineral properties	(10,801)	109,303
Net Loss	(708,626)	(375,743)
Deficit at beginning of year	(971,171)	(595,428)
Deficit at End of Year	\$ (1,679,797)	\$ (971,171)
Net Loss Per Share (Note 6)	(4.2)¢	(2.6)¢

GLR Resources Inc.
Statements of Cash Flow

<i>Year Ended December 31,</i>	2003	2002
Operations		
Net loss	\$ (708,626)	\$ (375,743)
Adjustments to reconcile net loss to cash flow from operating activities:		
Gain on sale of investments	(24,937)	-
Write-down of investment	41,000	25,000
Write-off of deferred financing fee	36,645	-
Write-down of mineral properties	10,801	109,303
Financing fees incurred in exchange for Class A Voting Common Shares	93,409	-
Amortization	-	744
Net change in non-cash operating working capital items:		
GST recoverable	(20,987)	20,693
Accounts payable and accrued liabilities	194,686	67,936
Cash Flow from Operating Activities	(378,009)	(152,067)
Financing		
Issuance of Class A Voting Common Shares	2,078,781	445,000
Deferred financing fee	-	(36,645)
Due to related party	25,000	65,000
Cash Flow from Financing Activities	2,103,781	473,355
Investments		
Purchase of investments	(166,600)	-
Proceeds from sale of investments	166,600	-
Expenditures on mineral properties	(339,117)	(446,535)
Cash Flow from Investing Activities	(339,117)	(446,535)
Net Increase (Decrease) in Cash	1,386,655	(125,247)
Cash at beginning of year	9,862	135,109
Cash at End of Year	\$ 1,396,517	\$ 9,862

GLR Resources Inc.

Notes to the Audited Financial Statements

Years Ended December 31, 2003 and 2002

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 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.

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 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, 2003, 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.

Stock-Based Compensation Plan

GLR uses the intrinsic value method in accounting for its stock-based compensation plan. Under this method, no compensation expense is recognized for this plan when stock options are issued to employees. Any contribution paid by employees on the exercise of stock options is credited to share capital.

GLR Resources Inc.

Notes to the Audited Financial Statements

Years Ended December 31, 2003 and 2002

2. Mineral Properties and Deferred Expenditures

	2003	2002
Mineral Properties		
Balance at beginning of year	\$ 2,248,508	\$ 2,278,209
Acquisitions costs		
Option payments	-	48,680
Write downs	(10,375)	(78,381)
Balance at end of year	2,238,133	2,248,508
Deferred Exploration Expenditures		
Balance, beginning of year	795,328	412,537
Deferred exploration expenditures, including amortization expense of \$13,281	352,398	413,749
Write downs	(426)	(30,922)
Balance at end of year	1,147,300	795,364
	\$ 3,385,433	\$ 3,043,872

3. Capital Assets

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Exploration equipment	\$ 64,927	\$ 27,171	\$ 64,937	\$ 17,366
Office furniture and fixtures	29,323	12,265	29,313	8,825
	\$ 94,250	\$ 39,436	\$ 94,250	\$ 26,191
Net Book Value	\$ 54,814		\$ 68,059	

4. Potential Income Taxes Benefits

The company has \$4,098,700 (2002 - \$3,487,300) of unused cumulative Canadian exploration and development expenses available to offset future taxable income. The tax benefits pertaining to these expenses are available to carry forward indefinitely.

GLR Resources Inc.

Notes to the Audited Financial Statements

Years Ended December 31, 2003 and 2002

5. Related Party Transactions

The financial statements include balances and transactions with directors and officers of the Company and corporations related to directors of GLR as follows:

	2003	2002
Transactions during the year:		
Exploration expenditures	\$ 115,000	\$ 135,600
Consulting fees	15,000	13,500
Legal fees	80,250	24,500
Related party payables included in accounts payable and accrued liabilities	428,464	267,250

6. 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, 2001	13,314,619	\$ 3,474,326
Issued for cash:		
Private placements	2,000,000	425,000
Issued for mineral properties	57,500	20,000
Balance at December 31, 2002	15,372,119	3,919,326
Issued for:		
Cash:		
Private placements	5,275,150	2,837,705
Options exercised	775,000	329,750
Financial advisory services	600,000	255,000
	22,022,269	7,341,781
Share issue costs	-	(273,804)
	22,022,269	7,067,977
Class D and A units subscription receivable	-	(814,870)
Balance at December 31, 2003	22,022,269	\$ 6,253,107

GLR Resources Inc.

Notes to the Audited Financial Statements

Years Ended December 31, 2003 and 2002

6. Capital Stock (Continued)

Private Placements

Month of issuance	Feb-03	Nov-03	Dec-03	Dec-03	Dec-03
Type of security issued	Common Shares	Class C Units	Class B Units	Class D Units	Class A Units
No. Issued	1,351,352	100,000	2,659,700	999,998	164,100
Gross cash proceeds	\$ 500,000	\$ 60,000	\$ 1,462,835	\$ 700,000	\$ 114,870
No. of Common Shares	1,351,352	100,000	2,659,700	-	-
No. of Flow-Through Common Shares	-	-	-	999,998	164,100
No. of Common Share:					
Purchase warrants	-	100,000	1,239,850	999,998	82,050
Agent's warrants	-	-	125,000	100,000	8,205
Exercise price/warrant to:					
First anniversary	\$ -	\$ 0.70	\$ 0.75	\$ 0.75	\$ 0.75
Second anniversary	\$ -	\$ -	\$ 1.20	\$ 1.00	\$ 1.00
Expire date of warrants	-	Nov-04	Dec-05	Dec-05	Dec-05

At GLR's option, and upon 30 days notice to the holders of the warrants, the expiry date of the Common Share purchase warrants issued with the Class A and B units may be accelerated if, at any time until the first anniversary date, the 20-day weighted average trading price of the Common Shares exceeds \$0.85 or thereafter exceeds \$1.20.

Financial Advisory Services

During 2003, GLR entered into financial advisory services contracts under which the terms of payment required the Company to issue 600,000 Class A Voting Common Shares with an assigned value of \$255,000. Of these shares, 100,000 shares were issued to the agent involved in the private placement issuances of 2,500,000 of the Class B units and 100% of the Class D units. The assigned value of the agent's shares is \$55,000. The remaining 500,000 Class A Voting Common Shares were issued as prepayment for services to be provided during the twelve months ended October 1, 2004. As such, \$150,000 of this expenditure is included in prepaid expenses at December 31, 2003.

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 Year 1	Exercise Price Year 2
October 2004	400,000	\$ 0.60	-
November 2004	100,000	0.70	-
December 2005	1,454,850	0.75	1.20
December 2005	1,190,253	0.75	1.00

GLR Resources Inc.

Notes to the Audited Financial Statements

Years Ended December 31, 2003 and 2002

6. Capital Stock (Continued)

Options

GLR has a stock option plan pursuant to which options to purchase Class A Voting Common Shares may be granted to certain officers, directors and employees. A continuity of the unexercised options to purchase Class A Voting Common Shares is as follows:

	2003		2002	
	Weighted Average Exercise Price	No. of Options (000's)	Weighted Average Exercise Price	No. of Options (000's)
Outstanding at beginning of year	\$ 0.43	1,990	\$ 0.45	1,805
Transactions during the year:				
Exercised	0.43	(775)	-	-
Granted	0.55	1,200	0.38	385
Forfeited	0.39	(145)	-	-
Expired	0.30	(150)	0.50	(200)
Outstanding at end of year	\$ 0.52	2,120	\$ 0.43	1,990
Exercisable at year end	\$ 0.52	2,120	\$ 0.43	1,990

The following table provides additional information about outstanding stock options at December 31, 2003.

Range of Exercise Prices	No. of Options Outstanding (000's)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
\$0.25 - \$0.30	250	1.77	\$ 0.29
0.31 - 0.50	655	2.26	0.46
0.51 - 0.65	1,215	3.20	0.60
	2,120	2.74	\$ 0.52

Subsequent to year-end, 30,000 stock options were exercised, for total consideration of \$10,200 and the Company granted an additional 500,000 options exercisable at a weighted-average price of \$0.59.

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6. Capital Stock (Continued)

During 2003, GLR granted 1,200,000 stock options to employees, officers, and directors. If the Company adopted the fair method of accounting for stock options, the stock-based compensation costs associated with these options would have an impact on net loss and net loss per share as follows:

	2003
Net loss as reported	\$ (708,626)
Stock-based compensation cost	(92,100)
Pro forma net loss	(800,726)
Pro forma net loss per share - basic	(4.7)¢

Assumptions used in Black-Scholes option pricing model:

Dividend yield	-
Expected volatility	13.7%
Risk-free interest rate	5.0%
Expected life (years)	5