



**GLR Resources Inc.**

**Management's Discussions and Analysis  
of the Financial Condition and Results of Operations**

**For the Second Quarter  
And  
Six Months Ended June 30, 2007**

**August 14, 2007**

# GLR Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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*This discussion and analysis has been prepared based on information available to GLR Resources Inc. ("GLR" or the "Company") as a August 13, 2007. The MD&A of the operating results and financial condition of the Company for the six months ended June 30, 2007 and June 30, 2006, should be read in conjunction with the Company's financial statements and the related notes for the six months then ended and in conjunction with the MD&A for the year ended December 31, 2006, which have been prepared in accordance with Canadian generally accepted accounting principles. Additional information relating to the Company, including the Company's Annual Information Form, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

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### ***Management's Responsibilities for Financial Reporting and Controls***

The Financial Statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles and have been approved by the Company's board of directors (the "Board"). The integrity and objectivity of these Financial Statements are the responsibility of management. In addition, management is responsible for ensuring that the information contained in this MD&A is consistent, where appropriate, with the information contained in the Financial Statements.

In support of this responsibility, the Company's management maintains a system of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. When alternative accounting methods exist, management has chosen those methods it deems most appropriate in the circumstances. The Financial Statements may contain certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis to ensure that the Financial Statements are presented fairly in all material respects.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its audit committee. The audit committee is appointed by the Board and has several financial experts who are not involved in the Company's daily operations. The audit committee meets periodically with management and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the Financial Statements with the external auditors.

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### *Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this MD&A, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109— *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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### ***Cautionary Note Regarding Forward-looking Information***

This document contains or refers to forward looking information. Such forward looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, mine development costs, unit costs, capital costs, timing of commencement of operations and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; inflation; changes in exchange rates; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.

### ***General***

On April 25, 2007, the Company announced it had entered into an agreement to raise up to \$2 million (the "Offering") by way of a brokered private placement with Evergreen Capital Partners Inc. (the "Agent") on a best efforts basis. On May 15, 2007, the Company announced that it was not proceeding with the financing at this time as the publication of the results of the feasibility study (the "Feasibility Study") on the Company's Goldfields project ("Goldfields") was to be released imminently.

On June 13, 2007, the Company announced the completion of the Feasibility Study and provided highlights of Goldfields. ***See Review of Operations – Goldfields Project*** of this MD&A.

On August 9, 2007, the Company announced the appointment of Dr. Eike von der Linden as one of the Company's independent directors. Dr. von der Linden has experience in the areas of technical project management and financial management of mining projects and has worked as the lead on project developments, acted as independent advisor to financial institutions for equity investments and acted as advisor to various national and international companies. Dr. von der Linden currently resides in Germany.

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### **Overall Performance**

As at June 30, 2007, the Company had assets of \$11.2 million and a net equity position of \$10.5 million. This compares with consolidated assets of \$10.0 million and a consolidated net equity position of \$9.5 million at December 31, 2006.

The increase in net assets by approximately \$1.2 million from \$10.0 million at the end of the previous year was a result of GLR's cash position decreased by \$0.5 million to \$1.3 million, decrease in other current assets of \$0.1 million offset by increases to mineral properties and deferred exploration expenditures of \$1.6 million (to \$8.9 million), increases to capital asset of \$0.1 million and to deferred financing costs of \$0.1 million.

GLR's decreased cash position of \$1.2 million from December 31, 2006 resulted from its uses of cash for operating activities of \$504,000 (2006 same period - \$483,000) and investing activities of \$1,686,000 (2006 same period - \$661,000) offset by cash generated from financing activities of \$1,701,000 (2006 same period - \$2,355,000).

For the six months ended June 30, 2007, the Company posted a net loss for the period of \$598,000 or 1.4¢ per share (2006 - \$1,306,000, or 3.5¢ per share). Management fees and interest income of \$80,000 (2006 - \$32,000) were offset by the following expenditures: Office and general expenses of \$310,000 (2006 - \$152,000); public relations and shareholder expenditures \$117,000 (2006 - \$112,000); professional and consulting costs of \$170,000 (2006 - \$173,000), stock-based compensation costs of \$268,000 (2006 - \$1,048,000) and financing fees of \$Nil (2006 - \$3,000).

For the three months ended June 30, 2007, the Company posted a net loss for the period of \$378,000 or 0.8¢ per share (2006 - \$1.1 million, or 2.8¢ per share). Management fees and interest income of \$65,000 (2006 - \$24,000) were offset by the following expenditures: Office and general expenses of \$189,000 (2006 - \$94,000); public relations and shareholder expenditures \$68,000 (2006 - \$51,000); professional and consulting costs of \$93,000 (2006 - \$96,000), stock-based compensation costs of \$196,000 (2006 - \$975,000) and financing fees of \$Nil (2006 - \$3,000).

### **Review of Operations**

The Company has several gold, base metal and platinum group metal properties within its portfolio with the most advanced being its 100%-owned Goldfields Project consisting of two open pittable gold deposits (Box Property (the "Box") and the Athona Property ("Athona")).

#### **Goldfields Project, Northern Saskatchewan:**

On June 13, 2007, GLR announced the completion of the Feasibility Study. Highlights are as follows and include only information relating to the Box portion of Goldfields (Athona data will be incorporated in the near future):

- Proven and probable reserves are estimated at 10,997,000 tonnes containing 601,007 ounces of Gold and 559,000 ounces of recoverable gold:

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	Tonnes	Grade g/T	Contained Ounces
<b>Proven</b>	1,683,717	2.03	109,619
<b>Probable</b>	9,313,283	1.64	491,388
<b>Total</b>	<b>10,997,000</b>		<b>601,007</b>

- Average life of mine production estimates at 1.8 million tonnes per year for 6 years, with an estimated average annual production of 90,000 ounces of gold.
- Projected base-case outcomes over the six-plus years of production:
  - Total cash costs of US\$373.55 per ounce.
  - Operating costs per ounce of US\$280.26
  - Average annual after-tax net cash flows of US\$15,553,400
- Base case, after tax net present values at discount rate of 0% and 8% are estimated at US\$61.6 million and US\$33.1 million, respectively with an IRR of 30.5% and a payback of 3 years.

#### ***Hurd-McAuley ("Hurd-McAuley") Property, Kirkland Lake, Ontario:***

No exploration work was completed during the first quarter of 2007 and none is planned for the second quarter of 2007. GLR is following developments on the Kirkland Lake Gold Inc. property immediately north of Hurd-McAuley before planning any further drilling activity.

#### ***Kirkland West Property, Kirkland Lake, Ontario:***

This property covers over 7 km of the Kirkland Larder lake fault zone and is located 5 km west of the Kirkland Lake Gold Inc. Macassa mine. Several holes have been drilled on the property some having returned large widths of low-grade gold. No activity occurred on this project during the first or second quarters of 2007 but GLR plans on drilling 4 to 5 holes over the remaining months in 2007, below the existing holes.

#### ***Stares Property, Northwestern Ontario:***

GLR and its joint venture partner (RJK Explorations Inc. ("RJK")) plan to drill 4 to 5 holes on this property during 2007. The purpose of the drilling is to locate the source of the high-grade zinc/gold boulders.

#### ***Goldie Property, Northwestern Ontario:***

GLR and RJK are planning a 4-5 hole drill program on this property during 2007. Past drilling has returned 1.73 G/T gold over 14.5 metres and 1.37 G/T over 12.4 metres. The companies recently completed a 60 km induced polarization geophysical survey. Several drill targets were outlined by the survey. Drilling commenced in July of 2007.

#### ***Casa Berardi Property, Puiseaux-Orvilliers, Quebec:***

This property consists of 65 claims over 1,040 hectares and is located along the Casa Berardi fault. No work has been carried out since the 1980's. Drilling during that period returned interesting gold values from 1.2 feet of 0.735 oz/t gold to 115.4 feet of 0.042 oz/t gold. Presently there are several companies doing exploration around this property. No work has been performed this year but GLR plans some geochemical work over the remaining months of 2007 with the possibility of some drilling as well.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Results of Operations

Over the past two years the Company has not generated any operating revenue and therefore losses have been incurred throughout the second quarter of 2007 as well as the previous 7 quarters.

#### Six Months ended June 30, 2007 compared to the Six Months ended June 30, 2006

Net loss for the period was \$598,000 (1.4¢ per share) compared to \$1,308,000 (3.5¢ per share) in 2006. The net loss was comprised of administrative costs of \$58,000 (2005 - \$55,000), consulting and professional fees of \$75,000 (2005 - \$149,000), public relations and public reporting costs of \$61,000 (2005 - \$118,000) and stock-based compensation of 73,000 (2005 - \$183,000). These costs were offset by income of \$80,000 (2006 - \$32,000).

#### Three Months ended June 30, 2006 compared to the Three Months ended June 30, 2005

Net loss for the period was \$378,000 (0.8¢ per share) compared to \$1.1 million (2.8¢ per share) in 2006. The net loss was comprised of administrative costs of \$189,000 (2006 - \$94,000), consulting and professional fees of \$93,000 (2006 - \$96,000), public relations and public reporting costs of \$68,000 (2006 - \$51,000), stock-based compensation of \$196,000 (2005 - \$975,000) and financing fees of \$Nil (2006 - \$3,000). These costs were offset by income of \$65,000 (2006 - \$24,000).

### Summary of Quarterly Results

	2 <sup>nd</sup> Quarter 2007 \$000's	1 <sup>st</sup> Quarter 2007 \$000's	4 <sup>th</sup> Quarter 2006 \$000's	3 <sup>rd</sup> Quarter 2006 \$000's
Total revenues	65	15	230	18
Net income (loss)	(378)	(220)	692	(191)
Net income (loss) per share, basic	(0.8)¢	(0.5)¢	1.7¢	(0.5)¢
Net income (loss) per share, fully diluted <sup>(1)</sup>	(0.8)¢	(0.5)¢	1.6¢	(0.5)¢
Total assets	11,176	9,868	10,020	9,127
Long-term liabilities	593	696	419	497
Shareholders' equity	10,467	9,099	9,549	8,592
Cash dividends declared per common share	0.0¢	0.0¢	0.0¢	0.0¢

<sup>(1)</sup>In periods of loss, inclusion of in-the-money outstanding warrants and options is anti-dilutive.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 2<sup>nd</sup> Quarter 2007 vs. 1<sup>st</sup> Quarter 2007

The difference in net loss between the second quarter of 2007 and the first quarter of 2007 (\$158,000) is mainly the result of increase management fees of \$50,000 offset by increased g&a expenses of \$84,000 and stock-based compensation of \$124,000.

### 1<sup>st</sup> Quarter 2007 vs. 4<sup>th</sup> Quarter 2006

The difference in net income (loss) between the first quarter of 2007 and the last quarter of 2006 (\$912,000) is mainly the result of a reallocation of the value of issued warrants that were originally mistakenly recorded to stock-based compensation but reallocated at year end to reduce the share capital account.

	2 <sup>nd</sup> Quarter 2006 \$000's	1 <sup>st</sup> Quarter 2006 \$000's	4 <sup>th</sup> Quarter 2006 \$000's	3 <sup>rd</sup> Quarter 2006 \$000's
Total revenues	25	8	(25)	73
Net income (loss)	(1,116)	(192)	(2,268)	5,163
Net income (loss) per share, basic	(2.8)¢	(0.5)¢	(6.9)¢	16.8¢
Net income (loss) per share, fully diluted <sup>(2)</sup>	(2.8)¢	(0.5)¢	(6.1)¢	16.3¢
Total assets	9,438	7,175	7,261	6,348
Long-term liabilities	615	695	762	988
Shareholders' equity	8,701	6,411	6,335	5,287
Cash dividends declared per common share	0.0¢	0.0¢	0.0¢	0.0¢

<sup>(2)</sup>Only "in-the-money" warrants and options is are included.

### Liquidity and Capital Resources

The Company's liquidity and solvency are critical information since GLR is not currently generating any income from its mineral properties.

As at the date of this MD&A, there are no updates or prevailing conditions that are different from those that existed at the point the Company completed its most recent Annual MD&A. The reader is also directed to the Company's Annual MD&A for any other details about the Company's liquidity and capital resources.

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### *Subsequent to June 30, 2007*

In July 2007, GLR issued a total of 35,000 common shares on the exercise of broker warrants raising proceeds of approximately \$10,500.

On July 30, 2006, GLR announced that it had received a revised term sheet from Investec Bank (UK) Limited ("Investec") regarding the mandate to arrange financing for its Goldfields project. The financing will consist of debt financing of up to US\$40 million comprised of term and convertible loans to finance the project construction and potential cost overruns. The financing is subject to documentation and due-diligence review by Investec of the recently completed feasibility study and acceptance by the board of GLR.

On August 2, 2007, the Company issued 200,000 options exercisable at \$0.50 each with expiry of August 2, 2012, to a new director.

### *During the six months ended June 30, 2007*

During the six months ended June 30, 2007, 3,143,985 warrants were exercised at an average exercise price of \$0.48. Also, 235,000 options were exercised at an average exercise price of \$0.43. Total proceeds raised from the exercises of the options and warrants was approximately \$1,668,000.

The Company also issued 25,000 shares valued at \$11,750 in payment of mineral property acquisitions.

### *During the three months ended June 30, 2007*

During the quarter, 2,967,319 warrants were exercised at an average exercise price of \$0.49 each, raising total proceeds of approximately \$1,449,000.

### *Working Capital*

As at June 30, 2007, the Company's working capital balance was \$1.4 million (2006 - \$2.3 million). As a result, the Company has sufficient cash and receivables to satisfy its current obligations.

As at March 31, 2007, the book value of GLR's mineral properties and deferred exploration costs amounted to \$8.0 million, a net increase \$700,000 over the balance of \$7.3 million at December 31, 2006.

### *Transactions with Related Parties*

For the six months ended June 30, 2007 and the six months ended June 30, 2006, the following transactions involved related parties:

R.J. Kasner Co. ("RJKC") charged the Company a total of \$60,000 (2006 - \$60,000) in respect of the services of Robert Kasner as President & CEO of the Company. Robert Kasner, also a director of the Company, beneficially owns RJKC. Robert Kasner, the President and Chief Executive Officer and a director of the Company, beneficially owns RJKC. This agreement is automatically renewed each January 1 unless notice of termination is provided by one party to the other by September 1 in any year, in which case the agreement terminates on December 31 of that year.

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Glen C. Kasner Exploration Service charged the Company a total of \$21,000 (2006 - \$21,000) in respect of exploration management services. Glen Kasner is related to an officer and director of the Company. This agreement is automatically renewed each January 1 unless notice of termination is provided by one party to the other by September 1 in any year, in which case the agreement terminates on December 31 of that year.

Keshill Consulting Associates Inc. ("KCA") charged the Company a total of \$24,000 (2006 - \$26,000) in respect of the services of Stephen Gledhill as CFO of the Company. Stephen Gledhill beneficially owns KCA. The term of this agreement is ongoing with either party able to terminate upon 30 days written notice to the other.

1353150 Ontario Limited ("1353150") charged the Company a total of \$10,500 (2006 - \$10,000) in respect of rent for GLR's premises in Kirkland Lake. Robert Kasner, President & CEO and a director of the Company, beneficially owns 1353150. This lease expired on December 31, 2006. A new lease has been entered into for 2007.

### ***Critical Accounting Estimates***

#### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those estimates.

### ***Changes in Accounting Policies***

#### ***Financial Instruments, Comprehensive Income and Hedges***

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855 – "Financial Instruments – Recognition and Measurement", 1530 – "Comprehensive Income" and 3865 – "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. Accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective January 1, 2007.

#### ***(a) Financial Instruments – recognition and measurement***

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

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### **(b) Comprehensive Income / (Loss)**

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

### **(c) Hedges**

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 – “Hedging Relationships”, and the hedging guidance in Section 1650 – “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

### **(d) Impact upon Adoption of Sections 1530, 3855, and 3865**

The Company has evaluated the impact of these new standards on its financial statements and determined that no adjustments are currently required.

### **Future Accounting Changes**

Capital Disclosure and Financial Instruments – Disclosure and Presentation.

On December 1, 2006, the 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 standards are effective for interim and annual financial statements for the Company’s reporting period beginning January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about 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.

Sections 3862 and 3863 replace Handbook Section 3861 – “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extend of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

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### *Disclosure of Outstanding Share Information*

The following table sets forth information concerning the outstanding securities of the Company as at the date of this MD&A:

<b>Common Shares of no par value</b>	<b>Number</b>
Shares	46,143,191
Warrants	5,950,842
Options	3,780,000