



GLR Resources Inc.

Management's Discussion and Analysis
of the Financial Condition and Results of Operations
For the Years Ended December 31, 2005 and 2004

March 30, 2006

GLR Resources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis has been prepared based on information available to GLR Resources Inc. ("GLR" or the "Company") as at March 30, 2006 and compares its 2005 results with those of the previous year. This discussion and analysis should be read in conjunction with the Company's audited financial statements and the related notes for the year ended December 31, 2005, which have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts referred to in this MD&A are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Management's Responsibilities for Financial Reporting and Controls

The Consolidated 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 integrity and objectivity of these Consolidated 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 Consolidated 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 Consolidated Financial Statements may contain certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis to ensure that the Consolidated Financial Statements are presented fairly in all material respects.

The board of directors 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 of directors 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 Consolidated Financial Statements with the external auditors.

The audit committee and the board of directors have concluded that the Company's management has maintained an appropriate system of internal controls in order to provide assurance that the Company's transactions have been properly authorised, assets safeguarded and proper records maintained for the period ended December 31, 2005.

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General

On August 11, 2005, the Company received shareholder approval for (i) the distribution to its shareholders of 12,000,001 common shares of Uranium City Resources Inc. ("UCR") that it owned and (ii) the reduction in the stated capital of Company in the amount equal to the value attributed to such common shares. GLR shareholders of record at the close of business on August 22, 2005 received one UCR share for every approximately 2.5 GLR common shares held. No fractional UCR shares were distributed and no consideration was paid in lieu thereof. As a result, 11,999,865 common shares of UCR were distributed (the "Distribution") to GLR shareholders and the resultant value (\$4,280,926 – approximately \$0.36/share multiplied by 11,999,865 shares) of the Distribution reduced the stated capital of the Company.

As a result of the Distribution, the 2005 financial results of GLR are no longer consolidated and do not include the accounts of UCR.

Overall Performance

As at December 31, 2005, the Company had assets of \$7.3 million and a net equity position of \$6.3 million. This compares with consolidated assets of \$8.4 million and a net equity position of \$6.8 million in 2004.

Assets decreased to \$7.3 million in 2005, with the Company's cash position decreasing by \$2.3 million to \$1.1 million and mineral properties and deferred exploration expenditures increasing by \$1.1 million to \$5.9 million. GLR's decreased cash position from 2004 was a result of the Company no longer consolidating its divested subsidiary, UCR, decreasing cash by \$1.2 million together with cash operating expenses of \$0.7 million (2004 over 2003 - \$1.0 million) and funds used for investing activities of \$3.5 million (2004 over 2003 - \$1.6 million) offset by GLR's financing activities that generated \$1.9 million (2004 over 2003 - \$4.6 million).

The Company recorded a gain of \$4.0 million in connection with the Distribution (the "Gain"). The transaction was recorded at market, with each UCR share valued at \$0.36 calculated by using UCR's initial public offering price of \$0.55 per common share less the assigned value of \$0.19 attributed to the attached warrant. In addition, the Company recognized the future income tax liability that resulted from the utilization of a portion of its cumulative eligible expenditures and cumulative development expenditures tax pools to offset the current income taxes that would be otherwise payable as a result of the Gain.

For the year ended December 31, 2005, the Company posted a net income of \$2.2 million, or 7.3¢ per share - basic (2004 - \$1.3 million loss, or (5.4)¢ per share - basic) and 7.2¢ per share (2004 - (5.4)¢) on a fully-diluted basis. Net income is comprised of the Gain together with management fees and other income of \$87,000 (2004 - \$Nil) offset by the following expenditures, costs and write-downs: Financing fees of \$16,000 (2004 - \$215,000), public relations and shareholder information expenditures of \$308,000 (2004 - \$287,000), professional and consulting costs of \$436,000 (2004 - \$219,000), cancellation fees of \$Nil (2004 - \$345,000) on a pilot plant that the Company did not close on, general and administrative expenses of \$397,000 (2004 - \$108,000), stock-based compensation of \$271,000 (2004 - \$50,000) and write-downs of \$105,000 (2004 - \$229,000).

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Review of Operations –

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

Goldfields Project (“Goldfields”), Northern Saskatchewan:

On February 27, 2006, the Company entered into an agreement with Investec Bank (UK) Limited (“Investec”) for the provision of project financing services for Goldfields. Under the terms of the agreement, Investec will arrange and underwrite the project debt (the “Facilities”) for Goldfields, located in Beaverlodge Area of Northern Saskatchewan. As compensation for its services under the agreement, an arranging fee of 2.5% of the amount of the Facilities will be paid to Investec. In addition, Investec has been issued 250,000 common shares of the Company.

GLR had an extremely active season during 2005. During April of 2005, a regional airborne VTEM geophysical survey was conducted on the GLR land holdings. This type of airborne survey allows for precise identification of targets at depths of up to 800 metres. The processing of the VTEM survey data and subsequent interpretation identified a number of targets that GLR plans to drill. During the survey interpretation, a number of circular features were outlined within the Company's properties. The origin and significance of these circular features is yet unknown, however, it is believed that there is the potential for these features being kimberlites. Geochemical surveys are planned to determine the nature and relevance of these circular features.

The completion of required in-fill drilling at the Box Gold Mine (“BGM”) allowed AMEC to work on and finalize the resource estimate for the BGM. GLR received the resource estimate during Q3 of 2005, which permitted further discussions with Investec (UK) regarding their interest in production financing of the BGM. The Environmental Impact Statement (“EIS”) component of the BGM project had a substantial amount of work completed during 2005. Both (a) consultation with surrounding communities and (b) submission of the necessary reports to both Department of Fisheries and Oceans and Saskatchewan Environment were accomplished.

Hurd-McAuley (“Hurd-McAuley”) Property, Kirkland Lake, Ontario:

During 2005, GLR acquired and completed a drilling campaign on the Hurd-McAuley claim in Kirkland Lake. Several narrow sections of gold mineralisation were encountered during the drilling. Compiling of geology and assay results will be used to determine future exploration efforts.

Aldina, Marks, Sackville and Adrian Properties, Thunder Bay, Ontario:

Recently compiled geochemical surveys and completed geophysical surveys on the Stares-Calvert property are being used to further exploration efforts on the property. Efforts for 2006 are planned to include follow-up investigations on coincident geochemical and geophysical results.

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Stares Property, Northwestern Ontario:

During 2005, GLR completed a geophysical survey on the Stares Property, located in Northwestern Ontario. Compiling of both the geophysical and geochemical surveys led GLR to conduct a drilling campaign during Q4 of 2005. Results of the drilling campaign are currently pending.

Conmee TWP Molybdenum Property, Northwestern Ontario:

GLR acquired a molybdenum property in Conmee Township, Northwestern Ontario. No known historical drilling had occurred on the property, which prompted GLR to conduct a drilling campaign on the property. A number of shallow holes intersected high-grade molybdenum mineralisation, which appeared to pinch out. Compiling of geology and assay results will be used to determine whether future exploration efforts are warranted.

Selected Annual Information

The following financial data is derived from the Company's audited financial statements and related notes for the year ended December 31, 2005:

	2005 \$000's	2004 \$000's
Total revenue	87	-
Net income (loss) for the year	2,246	(1,281)
Net income (loss) per share - basic	7.3¢	(5.4)¢
Net income (loss) per share – fully diluted ¹	7.2¢	(5.4)¢
Total assets	7,261	8,421
Long-term liabilities	762	266
Total equity	6,335	6,782
Cash dividends declared per common share	0.0¢	0.0¢

¹Only those options and warrants with average exercise prices "in-the-money" are included.

Revenues earned in 2005 are a result of management fees earned by GLR from UCR under a purchase and sale agreement, pursuant to which GLR, as manager, receives from UCR a fee equal to 5% of all amounts paid by UCR to third parties pursuant to drilling contracts, 10% of all other expenditures incurred directly or indirectly in connection with such exploration and development operations and 3% of all expenditures incurred after commencement of production. Management fees earned up to the point of the Distribution have been eliminated.

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The increased income for 2005 over 2004's loss is mainly due to the gain on the Distribution of \$4.0 million which is offset by the future income taxes thereon (\$386,000).

Assets decreased in 2005 by \$1.2 million to \$7.3 million with mineral property and deferred expenditures increasing by \$1.1 million but offset by a decrease to cash of \$2.3 million.

Results of Operations

Year-ended December 31, 2005 compared to year-ended December 31, 2004

Excluding the Gain, net loss for 2005 was \$1.8 million compared to \$1.3 million in 2004. The majority of the changes were caused by Increased salaries of \$186,000, consulting and professional fees of \$217,000, administration costs of \$103,000 and stock-based compensation of \$221,000 were offset by reduced financing fees of \$199,000, cancellation fees of \$117,000 write-downs of \$124,000 and tax recoveries of \$386,000 and was a result of the Company actively pursuing its exploration and drilling programs, mainly at its Goldfields project in northern Saskatchewan and its Hurd-McAuley project in Kirkland Lake, Ontario.

Summary of Quarterly Results

The following financial data was prepared in accordance with Canadian generally accepted accounting principals:

2005	4 th Quarter \$000's	3 rd Quarter \$000's	2 nd Quarter \$000's	1 st Quarter \$000's
Total revenues	(25)	73	27	12
Net income (loss)	(2,268)	5,163	(187)	(462)
Net income (loss) per share-basic	(6.9)¢	16.8¢	(0.6)¢	(1.5)¢
Net income (loss) per share-fully diluted	(6.1)¢	16.3¢	(0.6)¢	(1.5)¢
Total assets	7,261	6,348	8,635	8,794
Long-term liabilities	762	988	221	241
Shareholders' equity	6,335	5,287	6,543	6,695
Cash dividends declared per common share	0.0¢	0.0¢	0.0¢	0.0¢

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2004	4 th Quarter \$000's	3 rd Quarter \$000's	2 nd Quarter \$000's	1 st Quarter \$000's
Total revenues	-	-	-	-
Net income (loss)	(276)	(217)	(419)	(369)
Net income (loss) per share, basic and diluted ⁽¹⁾	(1.4)¢	(1.0)¢	(1.9)¢	(1.7)¢
Total assets	8,421	4,872	4,994	5,345
Long-term liabilities	266	-	-	-
Shareholders' equity	6,782	4,449	4,42	4,914
Cash dividends declared per common share	0.0¢	0.0¢	0.0¢	0.0¢

⁽¹⁾Inclusion of outstanding warrants and options is anti-dilutive.

Liquidity and Capital Resources

In management's view, the Company's liquidity and solvency are critical information since GLR is not currently generating any income from its mineral properties.

The mineral properties of GLR are in the exploration and development stage and, as a result, the Company has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The development of any ore deposits found on the Company's exploration properties depends on the ability of the Company to obtain financing through debt financing, equity financing or other means. If the Company's exploration programs are successful, additional funds will be required to develop the Company's properties and, if successful, to place them into commercial production. The only sources of future funds presently available to GLR are through the exercise of outstanding stock options, the sale of equity capital of the Company or the sale by GLR of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that GLR will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of GLR may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

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During the year ended December 31, 2005

During 2005, the Company completed a private placement that closed in two parts. On December 2, 2005, it closed on the hard-dollar component that consisted of 2,000,000 Class B units (the "Units"), for gross proceeds of \$500,000. On November 25, 2005, GLR closed on the flow-through component that consisted of 2,666,666 flow-through units (the "Flow-through Units") raising gross proceeds of \$800,000.

Each Unit consisted of one Class A voting common share of the Company (a "common share") and one-half of one common share purchase warrant (each whole purchase warrant a "Unit Warrant"). Each Unit Warrant is exercisable into one common share until December 2, 2007, at an exercise price of \$0.30. Also, in connection with this placement, Northern Securities Inc. ("Northern") acted as agent and was paid a cash commission equal to 7% of the aggregate gross proceeds raised under this offering. Northern also received 200,000 non-assignable broker warrants (the "Broker Warrants"). Each Broker Warrant entitles Northern to purchase one unit (a "Broker Unit") at a price of \$0.27 until December 2, 2007. Each Broker Unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant a "Broker Unit Warrant"). Each Broker Unit Warrant entitles the holder thereof to purchase one common share at a price of \$0.30 until December 2, 2007.

Each Flow-through Unit consisted of one "flow-through" common share one-half of one common share purchase warrant (each whole purchase warrant a "Flow-through Unit Warrant"). Each Flow-through Unit Warrant is exercisable into one common share until November 25, 2007, at an exercise price of \$0.35. Also, in connection with this placement, Northern acted as agent and was paid a cash commission equal to 7% of the aggregate gross proceeds raised under this offering. Northern also received 266,666 non-assignable warrants (the "F-T Broker Warrants"). Each F-T Broker Warrant entitles Northern to purchase one broker unit (a "Broker Unit") at a price of \$0.27 until November 25, 2007. Each Broker Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant a "Broker Warrant"). Each Broker Warrant entitles Northern to purchase one common share of the Company at a price of \$0.30 until November 25, 2007.

A total of 150,000 common shares were issued on the exercise of options at a weighted average exercise price of 38¢ per share which raised aggregate proceeds of approximately \$57,000.

The Company also issued 100,000 common shares in settlement of mineral property purchases valued in aggregate at approximately \$40,000.

620,083 broker warrants were exercised at a weighted average exercise price of \$0.50 each, raising aggregate proceeds of approximately \$310,000.

During the year ended December 31, 2004

A total of 50,000 common shares were issued on the exercise of options at a weighted average exercise price of 32¢ per share which raised aggregate proceeds of \$16,000. The Company also issued 50,000 common shares in settlement of mineral property purchases valued in aggregate at \$22,000.

In October 2004, the Company completed a private placement of 5,687,500 flow-through common shares at 40¢ per share and 1,916,666 common shares at 30¢ per share, raising aggregate net proceeds (after issuance costs of \$264,000) of approximately \$2.6 million.

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The proceeds received as a result of the exercise of options were used to advance work on the Goldfields and Hurd-McAuley projects, investigation of new project opportunities and for general corporate purposes. As at December 31, 2004, consolidated cash balances held amounted to approximately \$3.4 million. The balance at December 31, 2004, contained cash on deposit of \$360,000, cash held in escrow of \$1,175,000 and guaranteed investments certificates ("GICs") of \$1,855,000, bearing interest at 2.25%, which matured on November 25, 2005. Upon maturity, the Company did not reinvest the small remaining balance as it utilized the funds for working capital purposes. The conditions of the GICs provide for early withdrawal of partial amounts of no less than \$100,000, in anticipation of the Company's cash requirements.

Working Capital

As of December 31, 2005, the Company has sufficient cash and receivables to satisfy its current obligations having bolstered its cash position by completing the private placement noted above. After selling costs, commissions and fees, the Company increased its working capital by approximately \$1,100,000. Of that, cash restricted to exploration expenditures increased by \$800,000. Year-over-year, the cash position of GLR has decreased by \$2.2 million dollars as a result of cash used in operations and investment activities of \$627,000 and \$3.5 million, respectively. These expenditures were offset by financing activities of \$1.9 million.

Transactions with Related Parties

The following transactions involved related parties:

R.J. Kasner Co. ("RJKC") charged the Company a total of \$120,000 (2004 - \$158,000) 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. 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.

Glen C. Kasner Exploration Service charged the Company a total of \$42,000 (2004 - \$Nil) 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 \$59,000 (2004 - \$12,000) 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 \$18,000 (2004 - \$18,000) 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, 2005. A new lease has been entered into for 2006.

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Critical Accounting Estimates

Use of Estimates

The preparation of financial statements in conformity with Canadian 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.

Nature of Operations

GLR is an exploration and mining company. Its mineral properties are currently being explored and the Company 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, as established in accordance with National Instrument No. 43-101, 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 tries to maximize its exposure to promising exploration opportunities, to manage the risks inherent in exploration and to make appropriate use of financial management resources.

Mineral Properties and Deferred Exploration Costs

The Company 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 related exploration expenditures are written off.

Senior management periodically reviews the carrying value of the mineral properties and deferred exploration expenditures 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 future cash flows. Where estimates of the future cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered and provides for impairment, if so indicated.

Stock-based compensation

The Company records stock-based compensation using the fair value method. Under this 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 the recorded cost is recorded to contributed surplus.

The Company uses the Black-Scholes option pricing model to determine the stock-based compensation expense. The table below summarizes the assumptions used with the Black-Scholes valuation model for determining the stock-based compensation costs for the stock options issued in 2005 and 2004.

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

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	2005	2004
Dividend Yield	-	-
Expected volatility	104.2% - 109%	11.4%
Risk-free interest rate	4.0%	4.3%
Expected life (years)	3 - 5	5

Asset retirement obligations

The Company records liabilities arising from asset retirement obligations as required by CICA 3110 - Asset Retirement Obligations. Since there are no projects under construction at this time, there are no legal obligations requiring remediation.

However, as the development of any project commences, senior management will assess whether an asset retirement obligation ("ARO") liability will arise. At the point where such liability arises, the financial statement adjustment required will be to increase the project's property value and related ARO liability by the discounted value of the total liability. Thereafter, the Company will be required to record a charge to earnings each year to accrete the discounted ARO obligation amount to the final expected liability.

Impairment of long-lived assets

GLR assesses the impairment of its assets as required by CICA 3063 – 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.

Other Information

Additional information regarding the Company, including the Company's annual information form, may be found on SEDAR at www.sedar.com.

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Disclosure of Outstanding Share Information

The following table sets forth information concerning the outstanding securities of the Company as at March 30, 2006:

Common Shares of no par value	Number
Shares	35,733,227
Warrants	7,185,913
Options	2,440,000

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.