



GLR Resources Inc.

**Financial Statements
(Unaudited)**

Third Quarter and 9 months ended September 30, 2006

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GLR Resources Inc.

Balance Sheets

As at	September 30, 2006 (\$) (Unaudited)	December 31, 2005 (\$) (Audited)
Assets		
Current Assets		
Cash (Notes 3)	1,476,816	1,139,165
GST recoverable	31,678	21,916
Interest receivable & prepaids	26,766	10,170
Due from related company (Note 8)	36,944	62,803
	1,572,204	1,234,054
Investments (Note 2)	37,600	37,600
Mineral Properties and Deferred Expenditures (Note 4)	7,092,443	5,930,828
Capital Assets (Note 5)	99,875	58,902
Deferred Financing Costs (Note 6)	325,123	-
	9,127,245	7,261,384
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	38,900	164,604
	38,900	164,604
Long-term liabilities		
Note payable (Note 8)	-	50,000
Future income taxes (Note 9)	496,759	712,000
	496,759	762,000
	535,659	926,604
Shareholders' Equity		
Capital Stock (Note 10):		
Common shares	8,924,976	6,229,749
Contributed Surplus	1,879,061	819,353
Deficit	(2,212,451)	(714,322)
	8,591,586	6,334,780
	9,127,245	7,261,384

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

These financial statements have been approved by the Company's directors.

GLR Resources Inc.
Statement of Operations and Deficit
(Unaudited)

	<i>3 Months Ended</i> <i>September 30 (\$)</i>		<i>9 Months Ended</i> <i>September 30 (\$)</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Revenue				
Management fees	13,709	70,315	41,114	97,351
Interest income	4,392	3,396	9,043	15,226
Total Revenue	18,101	73,711	50,157	112,577
Operating Expenses				
Financing fees	-	15	2,643	2,664
Office and general	46,331	29,007	166,377	83,101
Public relations	18,030	27,900	92,875	145,457
Professional fees	35,273	34,660	108,549	73,391
Shareholder information	2,706	21,088	39,751	46,565
Consulting	36,235	55,583	135,704	157,563
Salaries and benefits	69,059	128,146	100,528	196,953
Stock-based compensation	69,500	-	1,117,100	182,823
	277,134	296,399	1,763,528	888,517
	(259,033)	(222,688)	(1,713,370)	(775,940)
Write-down of investment	-	(8,351)	-	(8,351)
Gain on distribution of shares of Subsidiary (Note 7)	-	5,298,370	-	5,298,370
Net Income/(Loss) before taxes	(259,033)	5,067,331	(1,713,370)	4,514,079
Current income (taxes) recoveries	-	-	-	-
Future income (taxes) recoveries (Note 9)	68,421	-	215,241	-
Net Income/(Loss)	(190,612)	5,067,331	(1,498,129)	4,514,079
Deficit at the beginning of the period	(2,021,839)	(3,479,876)	(714,322)	(2,926,624)
Deficit at end of the period	(2,212,451)	1,587,455	(2,212,451)	1,587,455
Net Income (Loss) per share – basic	(0.5)¢	16.8¢	(3.9)¢	15.0¢
Net Income (Loss) per share – fully diluted	(0.5)¢	16.3¢	(3.9)¢	14.4¢
Weighted average number of shares (000's) - basic	40,665	30,214	38,493	30,104
Weighted average number of shares (000's) – fully diluted	40,655	31,179	38,493	31,294

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GLR Resources Inc.

**Statement of Cash Flow
(Unaudited)**

	3 Months ended September 30 (\$)		9 Months ended September 30 (\$)	
	2006	2005	2006	2005
Operations				
Net loss/(gain)	(190,612)	5,067,331	(1,498,129)	4,514,079
Adjustments to reconcile net loss to cash flow from operating activities:				
Gain on distribution of shares of subsidiary	-	(5,298,370)	-	(5,298,370)
Amortization	101	3,809	336	9,636
Write-down of investments	-	8,351	-	8,351
Stock-based compensation	69,500	-	1,117,100	182,823
Future Income Taxes (Recoveries)	(68,421)	-	(215,241)	-
Net change in non-cash working capital items	(125,663)	10,197	(202,061)	20,055
Cash used in operating activities	(315,095)	(208,682)	(797,995)	(563,426)
Financing				
Issuance of common shares	11,372	166,250	2,498,335	393,542
Due to related party	14,225	(9,943)	25,859	(198)
Deferred financing costs	(56,408)	-	(200,123)	-
Repayment in notes payable	-	(60,000)	-	(105,000)
Cash flow from (used in) financing Activities	(30,811)	96,307	2,324,071	288,344
Investments				
Purchase of capital assets	(19,618)	37,500	(51,589)	(11,645)
Expenditures on mineral properties and deferred exploration	(508,213)	(105,352)	(1,136,836)	(1,389,644)
Opening cash balance of subsidiary	-	(1,099,247)	-	(1,198,776)
Cash used in investing activities	(527,831)	(1,167,099)	(1,188,425)	(2,600,065)
Net increase (decrease) in cash	(873,737)	(1,279,474)	337,651	(2,875,147)
Cash balance at beginning of period	2,350,553	1,791,834	1,139,165	3,387,507
Cash balance at end of period	1,476,816	512,360	1,476,816	512,360

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

These financial statements have been approved by the Company's directors.

GLR Resources Inc.

**Notes to the Financial Statements
(Unaudited)**

**For the 9 months ended September 30, 2006 and
For the 9 months ended September 30, 2005**

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

These unaudited interim financial statements follow the same accounting policies and their methods of application as the 2005 audited financial statements.

Not all disclosure required by generally accepted accounting principles for annual financial statements are present, and accordingly, these interim financial statements should be read in conjunction with the Company's audited financial statements.

2. 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 September 30, 2006, the cost of this investment was \$168,042 (2005 - \$168,042).

3. Cash and cash equivalents

The balance at September 30, 2006, consists of cash on deposit of \$422,255 (2005 - \$434,860) and guaranteed investments certificates of \$1,054,561 (2005 - \$77,500), bearing interest of 3.7% - 4.05% with varying maturities between June 18th and June 22nd, 2007.

4. Mineral Properties and Deferred Expenditures

	As at	
	September 30, 2006 (\$)	December 31, 2005 (\$)
	<i>(Unaudited)</i>	<i>(Audited)</i>
Mineral Properties		
Balance at beginning of year	587,011	892,942
Acquisitions costs	17,000	172,920
Write downs	-	(82,371)
Divested subsidiary's mineral properties	-	(474,000)
Balance at end of year	604,011	587,011
Deferred Exploration Expenditures		
Balance, beginning of year	5,343,817	3,934,896
Deferred exploration expenditures, including amortization expense of \$10,280 (2005 - \$13,583)	1,144,615	2,940,490
Write downs	-	(79,505)
Divested subsidiary's exploration expenditures	-	(1,380,064)
Balance at end of year	6,488,264	5,343,817
	7,092,443	5,930,828

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**Notes to the Financial Statements
(Unaudited)**

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For the 9 months ended September 30, 2005**

5. Capital Assets

	As at September 30, 2006		As at December 31, 2005	
	<i>(Unaudited)</i>		<i>(Audited)</i>	
	Cost (\$)	Accumulated Amortization (\$)	Cost (\$)	Accumulated Amortization (\$)
Exploration equipment	103,005	42,270	81,133	45,420
Office furniture and fixtures	72,333	33,193	42,616	19,427
	175,338	75,463	123,749	64,847
Net Book Value	99,875		58,902	

6. Deferred Financing Fees

On February 27, 2006, the Company entered into an agreement with Investec Bank (UK) Limited ("Investec") for the provision of project financing services for its Goldfields project ("Goldfields Project"). Under the terms of the agreement, Investec will arrange and underwrite the project debt (the "Facilities") for the Goldfields Project, 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. These costs have been deferred and recorded as an asset on the balance sheet of the Company and will be amortized over the life of the project financing, once completed.

7. Gain on distribution of UCR Shares

In 2005, the Company recorded a gain on the distribution of the shares of Uranium City Resources Inc. ("UCR") that it owned (the "Gain"). The transaction was recorded at market, with each UCR share valued at \$0.55, UCR's initial public offering price of its non-flow-through common shares. In addition, the Company recognized the future income tax liability that resulted from the utilization of a portion of its cumulative eligible expenditures tax pool to offset current income taxes that would be otherwise payable as a result of the Gain.

8. 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:

	9 Months Ended	
	September 30, 2006 (\$)	September 30, 2005 (\$)
Transactions during the period:		
Exploration expenditures	103,500	72,000
Consulting fees	62,056	94,236
Legal fees	-	42,496
Administrative Costs	14,850	13,500

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**Notes to the Financial Statements
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**For the 9 months ended September 30, 2006 and
For the 9 months ended September 30, 2005**

	As at	
	September 30, 2006 (\$)	Dec. 31, 2005 (\$)
Related party payables included in:		
Accounts payable and accrued liabilities	2,120	14,820
Note payable (non-interest bearing, no fixed terms of repayment)	-	50,000

9. Income Taxes

Future Income Taxes Recoverable

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

	September 30, 2006		December 31, 2005	
	(\$)	%	(\$)	%
Income taxes at Federal and Provincial statutory rates	(618,527)	(36.1)	950,000	36.1
Tax-free portion of capital gain on distribution of subsidiary shares	-	-	(715,600)	(27.2)
Expenses not deductible for income tax purposes:				
Stock-based compensation	403,286	23.5	97,900	3.7
Write-down on mineral properties and deferred exploration expenditures	-		30,500	1.2
Write-down of investment	-		7,500	0.3
Other	-		15,700	0.6
Future income taxes recoverable	(215,241)	(12.6)	386,000	14.7

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**Notes to the Financial Statements
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**For the 9 months ended September 30, 2006 and
For the 9 months ended September 30, 2005**

Future Income Tax Liability

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

	September 30, 2006 (\$)	December 31, 2005 (\$)
Future tax asset:		
Net loss before future income tax recovery capitalized as part of exploration expenditures for income tax purposes	(215,241)	-
Future tax liability:		
Foregone future tax savings from renunciation of Canadian Exploration Expenditures to flow-through warrants subscribers	712,000	712,000
Future Income Tax Liability	496,759	712,000

10. 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, 2005	35,263,184	6,229,749
Issued for:		
Cash:		
Options exercised	-	-
Warrants exercised	131,250	65,625
Broker warrants exercised	391,700	134,710
Private placement	4,596,000	2,298,000
Mineral properties	50,000	14,500
Deferred financing fees (Note 6)	250,000	125,000
Value transfer of exercised broker warrants	-	57,392
Balance at September 30, 2006	40,682,134	8,924,976

GLR Resources Inc.

**Notes to the Financial Statements
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For the 9 months ended September 30, 2005**

On April 24, 2006, GLR announced that Investec Bank of UD Ltd. ("IB") completed an equity private placement of 4,596,000 units at \$0.50 per unit for total proceeds of \$2,298,000. Each unit consisted of one common share of GLR together with one-half of one purchase warrant with each whole purchase warrant exercisable at \$0.60 per warrant until April 23, 2008.

Warrants

A continuity of the unexercised warrants to purchase Class A Voting Common Shares is as follows:

	2006	
	Weighted Average Exercise Price (\$)	No. of Options (000's)
Outstanding at beginning of period	0.42	7,538
Transactions during the period:		
Exercised	0.38	(517)
Granted	0.60	2,298
Forfeited	-	-
Expired	0.64	(182)
Outstanding at Sept. 30, 2006	0.46	9,137

The outstanding warrants as at September 30, 2006 to purchase Class A Voting Common Shares are as follows:

Month of Expiry	No. of Warrants (000's)	Exercise Price 2006 (\$)	Exercise Price 2007 (\$)	Exercise Price 2008 (\$)
October 2006	3,364	0.50	-	-
October 2006	681	0.40	-	-
November 2007	1,333	-	0.35	-
November 2007	162	-	0.27	-
November 2007	1,098	-	0.30	-
December 2007	124	-	0.27	-
December 2007	77	-	0.30	-
April 2008	2,298	-	-	0.60
	9,137			0.46

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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:

	2006	
	Weighted Average Exercise Price (\$)	No. of Options (000's)
Outstanding at beginning of period	0.49	2,840
Transactions during the period:		
Exercised	-	-
Granted	0.53	975
Forfeited	0.30	(300)
Expired	0.49	(810)
Outstanding at Sept 30, 2006	0.51	2,705
Exercisable at Sept 30, 2006	0.51	2,705

The following table provides additional information about outstanding stock options at September 30, 2006.

Range of Exercise Prices	No. of Options Outstanding (000's)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.25 - \$0.30	-	-	-
0.31 - 0.50	1,325	2.95	0.42
0.51 - 0.65	1,380	3.11	0.59
	2,705	2.99	0.51

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**For the 9 months ended September 30, 2006 and
For the 9 months ended September 30, 2005**

Stock-based compensation

The fair value of the stock options granted for the 9 months ended September 30, 2006 was \$1,117,000 (2005 – \$183,000), which amount has been expensed in the statement of operations.

The Company uses the Black-Scholes option pricing model to determine 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 issue during the 9 months ended September 30, 2005:

	2006
Dividend yield	-
Expected volatility	103.8% - 109.0%
Risk-free interest rate	4.25% - 5.0%
Expected life (years)	2 - 5