



GLR Resources Inc.

**Financial Statements
(Unaudited)**

Second Quarter and 6 months ended June 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	June 30, 2006 (\$)	December 31, 2005 (\$)
	(Unaudited)	(Audited)
Assets		
Current Assets		
Cash (Notes 3)	2,350,553	1,139,165
GST recoverable	29,538	21,916
Interest receivable & prepaids	35,904	10,170
Due from related company (Note 7)	51,169	62,803
	2,467,164	1,234,054
Investments (Note 2)	37,600	37,600
Mineral Properties and Deferred Expenditures (Note 4)	6,580,657	5,930,828
Capital Assets (Note 5)	83,932	58,902
Deferred Financing Costs (Note 6)	268,715	-
	9,438,068	7,261,384
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	121,563	164,604
	121,563	164,604
Long-term liabilities		
Note payable (Note 7)	50,000	50,000
Future income taxes (Note 8)	565,180	712,000
	615,180	762,000
	736,743	926,604
Shareholders' Equity		
Capital Stock (Note 9):		
Common shares	8,908,323	6,229,749
Contributed Surplus	1,814,841	819,353
Deficit	(2,021,839)	(714,322)
	8,701,325	6,334,780
	9,438,068	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 June 30</i>		<i>6 Months Ended June 30</i>	
	(\$)		(\$)	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Revenue				
Management fees	19,308	-	27,405	-
Interest income	4,652	25,522	4,652	30,572
Total Revenue	23,960	25,522	32,057	30,572
Operating Expenses				
Financing fees	2,643	2,648	2,643	2,648
Office and general	72,037	69,980	120,047	107,298
Public relations	31,555	41,931	74,845	136,582
Professional fees	53,743	33,387	73,276	57,758
Shareholder information	18,974	21,741	37,045	45,643
Consulting	43,832	58,032	99,469	182,693
Salaries and benefits	21,631	57,458	31,469	68,807
Stock-based compensation	974,700	-	1,047,600	182,823
	1,219,115	285,177	1,486,394	784,252
	(1,195,155)	(259,655)	(1,454,337)	(753,680)
Write-down of investment	-	-	-	-
Minority interests	-	72,110	-	104,492
Net Loss before taxes	(1,195,155)	(187,545)	(1,454,337)	(649,188)
Current income (taxes) recoveries	-	-	-	-
Future income (taxes) recoveries <i>(Note 8)</i>	79,570	-	146,820	-
Net Loss	(1,115,585)	(187,545)	(1,307,517)	(649,188)
Deficit at the beginning of the period	(906,254)	(3,422,021)	(714,322)	(2,960,378)
Deficit at end of the period	(2,021,839)	(3,609,566)	(2,021,839)	(3,609,566)
Net Loss Per Share	(2.8)¢	(0.6)¢	(3.5)¢	(2.2)¢
Weighted Average number of shares (000's)	39,375	30,180	37,389	30,048

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GLR Resources Inc.

**Statement of Cash Flow
(Unaudited)**

	3 Months ended June 30		6 Months ended June 30	
	(\$)		(\$)	
	2006	2005	2006	2005
Operations				
Net loss	(1,115,585)	(187,545)	(1,307,517)	(649,188)
Adjustments to reconcile net loss to cash flow from operating activities:				
Minority interests	-	(167,611)	-	(181,992)
Amortization	111	9,831	235	17,128
Write-down of investments	-	-	-	-
Stock-based compensation	974,700	-	1,047,600	182,823
Future Income Taxes (Recoveries)	(79,570)	-	(146,820)	-
Net change in non-cash working capital items	10,412	176,631	(76,397)	174,714
Cash Used in Operating Activities	(209,932)	(168,694)	(482,899)	(456,515)
Financing				
Issuance of common shares	2,430,952	35,000	2,486,963	227,292
Issuance of warrants				
by subsidiary, net of issue costs	-	-	-	460,000
Subscriptions receivable	-	-	-	-
Due to related party	20,298	-	11,634	-
Deferred financing costs	(114,170)	-	(143,715)	-
Repayment in notes payable	-	(20,000)	-	(45,000)
Cash Flow from Financing Activities	2,337,080	15,000	2,354,882	642,292
Investments				
Purchase of capital assets	(31,972)	(18,000)	(31,972)	(79,459)
Expenditures on mineral properties and deferred exploration	(360,417)	(1,086,881)	(628,623)	(1,701,991)
Cash Used in Investing Activities	(392,389)	(1,104,881)	(660,595)	(1,781,450)
Net Decrease in Cash	1,734,759	(1,258,575)	1,211,388	(1,595,673)
Cash Balance at beginning of period	615,794	3,050,409	1,139,165	3,387,507
Cash Balance at end of period	2,350,553	1,791,834	2,350,553	1,791,834

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GLR Resources Inc.

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

**For the 6 months ended June 30, 2006 and
For the 6 months ended June 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 June 30, 2006, the cost of this investment was \$168,042 (2005 - \$168,042).

3. Cash and cash equivalents

The balance at June 30, 2006, consists of cash on deposit of \$270,357 (2005 - \$495,580), cash held in escrow of \$Nil (2005 - \$868,631) and guaranteed investments certificates of \$2,080,197 (2005 - \$427,623), 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	
	June 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 \$6,706 (2005 - \$13,583)	632,829	2,940,490
Write downs	-	(79,505)
Divested subsidiary's exploration expenditures	-	(1,380,064)
Balance at end of year	5,976,646	5,343,817
	6,580,657	5,930,828

GLR Resources Inc.

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

**For the 6 months ended June 30, 2006 and
For the 6 months ended June 30, 2005**

5. Capital Assets

	As at June 30, 2006		As at December 31, 2005	
	<i>(Unaudited)</i>		<i>(Audited)</i>	
	Cost (\$)	Accumulated Amortization (\$)	Cost (\$)	Accumulated Amortization (\$)
Exploration equipment	100,756	40,149	81,133	45,420
Office furniture and fixtures	54,965	31,640	42,616	19,427
	155,721	71,789	123,749	64,847
Net Book Value	83,932		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. 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:

	6 Months Ended	
	June 30, 2006 (\$)	June 30, 2005 (\$)
Transactions during the period:		
Exploration expenditures	80,698	84,000
Consulting fees	38,057	129,242
Legal fees	-	18,408
Administrative Costs	9,900	13,773

GLR Resources Inc.

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

**For the 6 months ended June 30, 2006 and
For the 6 months ended June 30, 2005**

	As at	
	June 30, 2006	Dec. 31, 2005
	(\$)	(\$)
Related party payables included in:		
Accounts payable and accrued liabilities	13,172	14,820
Note payable (non-interest bearing, no fixed terms of repayment)	50,000	50,000

8. Income Taxes

Future Income Taxes Recoverable

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

	June 30, 2006		December 31, 2005	
	(\$)	%	(\$)	%
Income taxes at Federal and Provincial statutory rates	(525,000)	(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	378,180	26.0	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	(146,820)	(10.1)	386,000	14.7

GLR Resources Inc.

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

**For the 6 months ended June 30, 2006 and
For the 6 months ended June 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:

	June 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	(146,820)	-
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	565,180	712,000

9. 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	351,084	123,337
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	-	52,112
Balance at June 30, 2006	40,641,518	8,908,323

GLR Resources Inc.

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

**For the 6 months ended June 30, 2006 and
For the 6 months ended June 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

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

Month of Expiry	No. of Warrants	Exercise Price 2006 (\$)	Exercise Price 2007 (\$)	Exercise Price 2008 (\$)
October 2006	3,363,708	0.50	-	-
October 2006	680,778	0.40	-	-
November	1,333,333	-	0.35	-
November	162,036	-	0.27	-
November	1,098,106	-	0.30	-
December	151,261	-	0.27	-
December	90,400	-	0.30	-
April 2008	2,298,000	-	-	0.60
	9,177,622			0.46

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	0.57	745
Forfeited	0.30	(300)
Expired	0.53	(595)
Outstanding at June 30, 2006	0.52	2,690
Exercisable at June 30, 2006	0.52	2,690

GLR Resources Inc.

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

**For the 6 months ended June 30, 2006 and
For the 6 months ended June 30, 2005**

The following table provides additional information about outstanding stock options at June 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	1,125	3.00	0.43
0.51 - 0.65	1,565	2.20	0.59
	2,690	2.74	0.52

Stock-based compensation

The fair value of the stock options granted for the 6 months ended June 30, 2006 was \$1,048,000 (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 6 months ended June 30, 2005:

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