



GLR Resources Inc.

**Financial Statements
(Unaudited)**

**Third Quarter and 9 months ended
September 30, 2005**

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 consolidated 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 Sheet

<i>As at</i>	<i>September 30, 2005</i>	<i>December 31, 2004</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Assets		
Current Assets		
Cash (Notes 4)	\$ 512,360	\$ 3,387,507
GST recoverable	8,299	44,129
Interest receivable & prepaids	-	13,674
Due from related party (Note 8)	138,936	23,104
	\$ 659,595	\$ 3,468,414
Investments (Note 3)	\$ 50,127	\$ 58,458
Mineral Properties and Deferred Expenditures (Note 6)	5,575,419	4,827,838
Capital Assets (Note 7)	63,348	66,821
	\$ 6,348,489	\$ 8,421,531
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 73,535	\$ 84,972
	\$ 73,535	\$ 84,972
Long-term liabilities		
Note payable (Note 8)	\$ 160,650	\$ 265,650
Future income taxes (Note 5)	827,566	-
	\$ 988,216	\$ 265,650
	\$ 1,061,751	\$ 350,622
Minority Interests	\$ -	\$ 1,289,006
Shareholders' Equity		
Capital Stock (Note 9):		
Common shares	\$ 3,369,995	\$ 9,576,379
Contributed Surplus	329,288	165,902
Deficit	1,587,455	(2,960,378)
	\$ 5,286,738	\$ 6,781,903
	\$ 6,348,489	\$ 8,421,531

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 September 30</i>		<i>9 Months Ended September 30</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
Revenue				
Management fees	\$ 70,315	\$ -	\$ 97,351	\$ -
Non-operating income	3,396	-	15,226	56
Total Revenue	\$ 73,711	\$ -	\$ 112,577	\$ 56
Operating Expenses				
Financing fees	\$ 15	\$ 55,038	\$ 2,664	\$ 205,861
Office and general	29,007	13,274	83,101	181,160
Public relations	27,900	49,076	145,457	235,436
Professional fees	34,660	35,129	73,391	78,349
Shareholder information	21,088	3,810	46,565	49,163
Consulting	55,583	29,544	157,563	111,149
Salaries and benefits	128,146	8,633	196,953	26,453
Stock-based compensation	-	17,718	182,823	49,982
	\$ 296,399	\$ 212,222	\$ 888,517	\$ 937,553
	\$ (222,688)	\$ (212,222)	\$ (775,940)	\$ (937,497)
Write-down of investment	(8,351)	(4,502)	(8,351)	(67,502)
Gain on distribution of shares of subsidiary (Note 5)	5,298,370	-	5,298,370	-
Net Income (Loss) for the period	\$ 5,067,331	\$ (216,724)	\$ 4,514,079	\$ (1,004,999)
Adjustment to current year's retained earnings for expired options and former subsidiary's cumulative retained earnings balance	110,253	-	33,754	-
Deficit at the beginning of the period	(3,590,129)	(2,468,072)	(2,960,378)	(1,679,797)
Deficit at end of the period	\$ 1,587,455	\$(2,684,796)	\$ 1,587,455	\$ (2,684,796)
Net Income (Loss) per share – basic	16.8¢	(1.0)¢	15.0¢	(5.0)¢
Net Income (Loss) per share – fully diluted	16.3¢	(1.0)¢	14.4¢	(5.0)¢
Weighted Average number of shares (000's) – basic	30,214	21,672	30,104	20,100
Weighted Average number of shares (000's) – fully diluted	31,179	21,672	31,294	20,100

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GLR Resources Inc.

**Statement of Cash Flow
(Unaudited)**

	<i>3 Months ended September 30</i>		<i>9 Months ended September 30</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
Operations				
Net loss	\$ 5,067,331	\$(216,724)	\$ 4,514,079	\$(1,004,999)
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	3,809	3,311	9,636	9,934
Write-down of investments	8,351	4,502	8,351	67,502
Stock-based compensation	-	17,718	182,823	49,982
Net change in non-cash working capital items	10,197	130,879	20,055	(60,439)
Cash Used in Operating Activities	\$ (208,682)	\$ (60,314)	\$ (563,426)	\$ (938,020)
Financing				
Issuance of common shares	166,250	\$ 6,000	\$ 393,542	\$ 16,040
Issuance of warrants by subsidiary, net of issue costs	-	-	-	-
Subscriptions receivable	-	-	-	814,870
Due to related party	(9,943)	-	(198)	(90,000)
Deferred financing fees	-	-	-	161,591
Repayment in notes payable	(60,000)	-	(105,000)	-
Cash Flow from Financing Activities	96,307	\$ 6,000	\$ 288,344	\$ 902,501
Investments				
Purchase of capital assets	\$ 37,500	\$ -	\$ (11,645)	\$ (8,623)
Expenditures on mineral properties and deferred exploration	(105,352)	(448,498)	(1,389,644)	(1,047,207)
Opening cash balance of subsidiary	(1,099,247)	-	(1,198,776)	-
Cash Used in Investing Activities	\$ (1,167,099)	\$(448,498)	\$ (2,600,065)	\$ (1,055,830)
Net Decrease in Cash for the period	\$ (1,279,474)	\$(502,812)	\$ (2,875,147)	\$ (1,091,349)
Cash Balance at beginning of period	1,791,834	807,980	3,387,507	1,396,517
Cash Balance at end of period	\$ 512,360	\$ 305,168	\$ 512,360	\$ 305,168

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, 2005 and
For the 9 months ended September 30, 2004

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 2004 audited consolidated financial statements except that the Company no longer consolidates the accounts of Uranium City Resources Inc. ("UCR").

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

2. Distribution of UCR shares to GLR Shareholders

On August 11, 2005, the Company received shareholder approval for the distribution to its shareholders, together with a reduction in the stated capital of the Company equal to the distribution value attributable to the 12,000,001 common shares (the "UCR Shares"), in UCR that it owns. 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 shares of UCR were distributed to GLR shareholders (the "Distribution").

3. 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, 2005, the cost of this investment was \$168,042 (2004 - \$168,042).

4. Cash and cash equivalents

The balance at September 30, 2005, consists of cash on deposit of \$434,860 (2004 - \$807,980) and guaranteed investments certificates of \$77,500 (2004 - \$1,855,000), bearing interest at 2.25% and maturing on November 25, 2005.

5. Gain on distribution of UCR Shares

The Company recorded a gain on the Distribution (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.

6. Mineral Properties and Deferred Expenditures

	As at	
	September 30, 2005	December 31, 2004
Mineral Properties		
Balance at beginning of year	\$ 892,942	\$ 953,423
Less: Balance of UCR mineral properties	(474,000)	-
Acquisitions costs	50,566	22,250
Write downs		(82,371)

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

**For the 9 months ended September 30, 2005 and
For the 9 months ended September 30, 2004**

	As at	
	September 30, 2005	December 31, 2004
Balance at end of period	\$ 469,508	\$ 892,942
Deferred Exploration Expenditures		
Balance, beginning of year	\$ 3,934,896	\$ 2,432,010
Less: Balance of UCR deferred exploration expenditures	(158,714)	-
Deferred exploration expenditures, including amortization expense of \$9,350 (2004 - \$6,325)	1,329,729	1,581,431
Write downs	-	(78,545)
Balance at end of period	\$ 5,105,911	\$ 3,934,896
	\$ 5,575,419	\$ 4,827,838

7. Capital Assets

	As at September 30, 2005		As at December 31, 2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Exploration equipment – GLR	\$ 94,423	\$ 44,925	\$ 73,548	\$ 35,618
Office furniture – GLR	29,323	15,473	29,323	15,264
Sub-total – GLR	\$ 123,746	\$ 60,398	\$ 102,871	\$ 50,882
Exploration equipment - UCR	-	-	17,449	2,617
	\$ 123,746	\$ 60,398	\$ 120,320	\$ 53,499
Net Book Value	\$ 63,348		\$ 66,821	

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:

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

**For the 9 months ended September 30, 2005 and
For the 9 months ended September 30, 2004**

	9 Months Ended	
	September 30, 2005	September 30, 2004
Transactions during the period:		
Exploration expenditures	\$ 72,000	\$ -
Consulting fees	94,236	76,996
Legal fees	42,496	23,172
Administrative Costs	13,500	-
Management fee revenue	(97,351)	-
	As at	
	September 30, 2005	Dec. 31, 2004
Related party payables included in:		
Accounts payable and accrued liabilities	\$ 38,215	\$ 9,790
Note payable (non-interest bearing, no fixed terms of repayment)	\$ 160,650	\$ 265,650

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	
	29,726,435	\$ 9,576,379
Balance at December 31, 2004		
Issued for:		
Cash:		
Options exercised	150,000	57,500
Broker warrants exercised	620,083	310,042
Mineral properties	50,000	26,000
Return of capital – distribution of UCR shares	-	(6,599,926)
Balance at September 30, 2005	30,546,518	\$ 3,369,995

GLR Resources Inc.

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

**For the 9 months ended September 30, 2005 and
For the 9 months ended September 30, 2004**

Warrants

The outstanding warrants as at September 30, 2005 to purchase Class A Voting Common Shares are as follows:

Month of Expiry	No. of Warrants	Exercise Price 2005	Exercise Price 2006
December 2005	1,250,000	\$ 0.75	\$ -
December 2005	125,000	\$ 0.55	\$ -
January 2006	99,998	\$ -	\$ 0.55
January 2006	82,050	\$ -	\$ 0.75
October 2006	3,562,208	\$ -	\$ 0.50
October 2006	760,416	\$ -	\$ 0.40
	5,879,672		\$ 0.55

The following table provides additional information about the outstanding warrants at September 30, 2005:

Range of exercise price	Number	Weighted Average Exercise Price	Weighted Average Life (Years)
\$0.25 - \$0.30	0	\$ 0.00	0.00
\$0.31 - \$0.50	4,322,624	\$ 0.48	1.05
\$0.51 - \$0.65	307,048	\$ 0.60	0.26
\$0.66 - \$0.75	1,250,000	\$ 0.75	0.22
	5,879,672	\$ 0.55	0.65

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:

	2005	
	Weighted Avg. Exercise Price	No. of Options (000's)
Outstanding at beginning of period	\$ 0.51	2,490
Transactions during the period:		
Exercised	\$ 0.38	(150)
Granted	\$ 0.54	600
Forfeited	\$ 0.56	(500)
Expired	\$ 0.30	(200)
Outstanding at September 30, 2005	\$ 0.53	2,240
Exercisable at September 30, 2005	\$ 0.53	2,240

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

**For the 9 months ended September 30, 2005 and
For the 9 months ended September 30, 2004**

The following table provides additional information about outstanding stock options at September 30, 2005:

Range of Exercise Prices	No. of Options Outstanding (000's)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
\$0.25 - \$0.30	0	0.00	\$ 0.00
\$0.31 - \$0.50	825	2.09	0.46
\$0.51 - \$0.65	1,415	2.16	0.58
	2,240	2.11	\$ 0.53

Stock-based compensation

The fair value of the stock options granted for the 9 months ended September 30, 2005 was \$182,823 (2004 – \$49,982), 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:

	2005
Dividend yield	-
Expected volatility	109.0%
Risk-free interest rate	5.0%
Expected life (years)	5

10. Subsequent Event

On October 27, 2005, the Company announced that it had retained Northern Securities Inc. ("Northern" or the "Agent") to offer to sell by way of a private placement (the "Offering"), up to \$1.1 million of securities. Subsequently, on October 31, 2005, GLR announced that it was increasing the Offering to a maximum of \$1.2 million.

The private placement will consist of units (the "Units") and flow-through units (the "Flow-through Units") with up to \$500,000 in Units and up to \$700,000 in Flow-through Units. Each Unit will be offered at \$0.30 and will consist of one common share and one-half of one common share purchase warrant (a "Unit Warrant"). Each Unit Warrant will be exercisable into one common share for a period of 24 months from the closing date at an exercise price of \$0.40.

Each Flow-through Unit will be offered at \$0.35 and will consist of one flow-through common share and one-half of one common share purchase warrant (a "Flow-through Unit Warrant"). Each Flow-through Unit Warrant will be exercisable into one common share for a period of 24 months from the closing date at an exercise price of \$0.45.

GLR Resources Inc.

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

***For the 9 months ended September 30, 2005 and
For the 9 months ended September 30, 2004***