

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of operations

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of expenditures on mineral properties and the related deferred exploration costs is dependent upon the existence of economically recoverable mineralization, the ability of the Company to obtain financing necessary to complete the exploration and the development of the mineral properties, and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

The financial statements (unaudited) of GLR Resources Inc. (GLR) have been prepared by management in accordance with Canadian generally accepted accounting principals. These financial statements (unaudited) have been prepared following the same accounting policies and methods of the computation as the audited financial statements for the fiscal year ended December 31, 2003 except as described below. The disclosures provided below are incremental to those included with the annual audited financial statements. The interim financial statements (unaudited) should be read in conjunction with GLR's audited financial statements and the notes thereto for the year ended December 31, 2003.

The Company has a stock option plan as described in the notes of the December 31, 2003, financial statements. The Company accounts for its stock-based compensation plan using the intrinsic-value method. Under the intrinsic-value method, compensation costs are not recognized in the financial statements for stock options granted to employees and directors when issued at market value. Effective January 1, 2002, Canadian accounting standards require disclosure of the impact on net income of using the fair value method for stock options issued on or after January 1, 2002.

(b) Investment

The investment was recorded at cost and has been written down to fair market value.

(c) Mineral properties and deferred exploration expenditures

The Company defers the costs of exploration on existing projects and carries them as assets until production commences. The amounts at which mineral properties and the deferred exploration costs are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration costs are 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 the related deferred exploration costs are written off. Option payments received are applied against the mineral property and or deferred exploration costs. For properties which have quantified reserves, the current and/or future discounted cash flows is used to determine the net recoverable amount.

(d) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the declining basis, at rates varying from 10% to 30% per year.

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian general accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results could differ from the estimates.

GLR Resources Inc.

(f) Flow Through Shares

Proceeds received on the issuance of common shares which transfer the tax deductibility of mineral exploration expenditures to investors are credited to the capital stock and the related exploration costs are charged to deferred exploration expenditures.

2. INVESTMENT

The investment is recorded at the lower of cost or market and consists of 835,121 Class "A" Subordinate Shares of RJK Explorations Ltd., a Canadian public company. As at March 31, 2004 the cost of this investment was \$ 168,042

3. MINERAL PROPERTIES AND DEFERRED EXPENDITURES

The Company enters into exploration agreements with other companies whereby the parties to the agreement may earn an interest in certain mineral properties by issuing common shares and/or making option payments and/or incurring expenditures in varying amounts by varying dates. Failure by a party to meet such requirements in certain circumstances can result in a reduction of ownership interest.

4. 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.

Issued Class A voting common shares

	Number of Shares	\$
Balance December 31, 2003	22,022,269	7,067,977
Shares issued for exercised options	30,000	10,040
Balance March 31, 2004	22,052,269	7,078,017

Financial Advisory Services

During 2003, GLR entered into financial advisory services contracts under which the terms of payment, for the contracted services, required the Company to issue 600,000 Class A Common Shares with an Assigned value of \$255,000. Of these shares, 100,000 shares were issued to the agent involved in the private placement issuances of 2,500,000 of the Class B units and 100% of the Class D units. The assigned value of the agent's shares is \$55,000. The remaining 500,000 Class A Common Shares were issued as prepayment for services to be provided during the twelve months ended October 1, 2004. As such, \$150,000 of this expenditure was charged to prepaid expenses and will be amortized on a monthly basis until September, 2004.

GLR Resources Inc.

Warrants

The outstanding warrants at the year-end to purchase Class A Common Shares are as follows:

Month of Expiry	No. of Warrants	Exercise Price Year 1	Exercise Price Year 2
October 2004	400,000	0.60	-
November 2004	100,000	0.70	-
December 2004	1,454,850	0.75	1.20
December 2005	1,190,253	0.75	1.00

At GLR's option, and upon 30 days notice to the holders of the warrants, the expiry date of the Common Share purchase warrants issued with the Class A and B units may be accelerated if at any time until the first anniversary date the 20-day weighted average trading price of the Common Shares exceeds \$0.85 or thereafter exceeds \$1.20.

Options to purchase Class A voting shares

Year of Expiry	Exercise price	Number
2004	\$0.30 - \$0.60	695,000
2005	\$0.30 - \$0.60	600,000
2006	\$0.50 - \$0.56	435,000
2007	\$0.40	135,000
2008	\$0.35 - \$0.65	700,000
2009	\$0.55	100,000
		<u>2,665,000</u>

5. 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:

Transactions during the three month period ended March 31, 2004:

Consulting Fees	\$ 22,500
Legal Fees	\$ 15,377
Related party payables included in Accounts payable and accrued liabilities	\$247,250

6. OTHER RECEIVABLES

During the first Quarter of 2004, the Company entered an agreement for the acquisition of a pilot plant and advanced \$599,118. In April, 2004 the company decided not to proceed with the acquisition of the plant and as a result received \$482,982 back. The difference will be charged against operations in the second quarter.

7. RESTRICTED CASH

The amount of \$596,118 included in cash is restricted for flow-through expenditures.

GLR Resources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THREE MONTH PERIOD ENDED MARCH 31,2004.

This discussion should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2003 and 2002. Additional information relevant to the Company's activities, can be found on SEDAR at www.sedar.com

Summary of Significant Accounting Policies

The financial statements (unaudited) of GLR Resources Inc.. (GLR) have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements (unaudited) have been prepared following the same accounting policies and methods of the computation as the audited financial statements for the fiscal year ended December 31, 2003. The disclosures provided below are incremental to those included with the annual audited financial statements. The interim financial statements (unaudited) should be read in conjunction with GLR's audited financial statements and the notes thereto for the fiscal period ended December 31, 2003.

Results of Operations

GLR incurred a net loss of \$369,365 for the three-month period ended March 31, 2004 as compared to a loss of \$138,816 for the corresponding period.

Consulting fees of \$22,500 for the three months ended March 31, 2004 vs \$15,000 for the prior period, were paid to an officer of GLR.

Travel, public relations were unusually high in the first quarter of 2003 due to groups hired to help with corporate relations. These fees were temporary and have not continued in 2004.

GRL Resources Inc. has terminated their agreement with Applegarth & Co. as a result the amount of \$112,500 in financing fees have been recorded. These charges were previously deferred.

Liquidity and Capital Resources

GLR had a working capital of \$1,165,846 as at March 31,2004 as compared to a working capital of \$1,007,102 as at December 31, 2003.

The Company spent \$321,681 on the mineral properties and deferred exploration for the three months ended March 31, 2004, as compared to \$58,943 for the three-month period ended March 31, 2003.

Subsequent Event

GLR Resources Inc. retained the Los Angeles area firm of National Media Associates ("NMA") to conduct media awareness programs on behalf of the Company. Headed by Mr. George Duggan, NMA is a long-term media - relations specialist in the natural resource and gold exploration sectors. The Company will pay NMA a monthly fee of \$5,000US during the one-year term of the agreement. After the first four months, either party may terminate the agreement upon 30 days' written notice. Pursuant to the agreement, GLR Resources will also grant 400,000 incentive stock options to NMA, exercisable at a price of \$.60 each for a period of one year.

GLR Resources Inc.

Risk and Uncertainties

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of expenditures on mineral properties and the related deferred exploration expenditures are dependent upon the existence of economically recoverable mineralization, the ability of the Company to obtain financing necessary to complete the exploration and the development of the mineral properties, and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

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 and management resources.

Additional Funding Requirements

As discussed, the mineral properties of GLR Resources Inc. 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 additional funds to complete its projects. There is no assurance that GLR will be able to raise additional funds on reasonable terms. The development of any ore deposits found on the exploration properties of GLR depends on the ability of the Company to obtain financing through debt financing, equity financing or other means. If the exploration programs of GLR are successful, additional funds will be required to develop the properties and, if successful, to place them in commercial production. The only source of future funds presently available to GLR are the exercise of outstanding stock options, the sale of equity capital of GLR, or the sale by GLR of an interest in any of its properties in whole or in part. The ability of GLR 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 GLR. If additional financing is raised by the issuance of shares from the treasury of the Corporation, control of GLR may change and shareholders may suffer additional dilution. If adequate financing is not available, GLR 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 GLR to forfeit its interests in some or all of its properties and reduce or terminate its operations.

Looking Forward

GLR is concentrating on putting its Goldfield's Project into production and exploring Saskatchewan and Ontario Properties.