

GLR Resources Inc. (GRS.TO)

Gold Sector

C\$0.55

GLR Resources Inc. has successfully completed a final feasibility study for its Box Mine gold project in northwestern Saskatchewan. The results indicate robust economics for the planned mine, based on our current expectations for the gold price over the medium to longer term.

KEY POINTS

- ✦ *The Box Mine study gives GLR a substantial gold reserve* within an expanded gold resource base, resulting in an expanded mine plan with modest capital and operating costs.
- ✦ *The new mine plan envisages a 5,000 tonne-per-day mill* expected to produce an average of 90,000 ounces of gold per year over a seven-year lifespan, commencing in mid-2009.
- ✦ *The feasibility study projects operating costs at US\$14.25 per milled tonne of ore*, in current dollars, with capital costs projected at US\$46.3m.
- ✦ *GLR's study projects an internal rate of return of 30.5 percent*, based on an assumed gold price of US\$525 per ounce. At the current price of US\$650 per ounce, the IRR climbs to 55.3 percent.
- ✦ *The feasibility study does not incorporate the mineral resource outlined for the nearby Athona deposit.* The company plans to include this material in its plan, which will expand the mine life by approximately three years.

COMMENT

The final feasibility study is in line with our earlier valuation of GLR, which assumed a mining rate on the scale now planned. The study now includes a proven and probable reserve of some eleven million tonnes, grading 1.70 grams of gold per tonne.

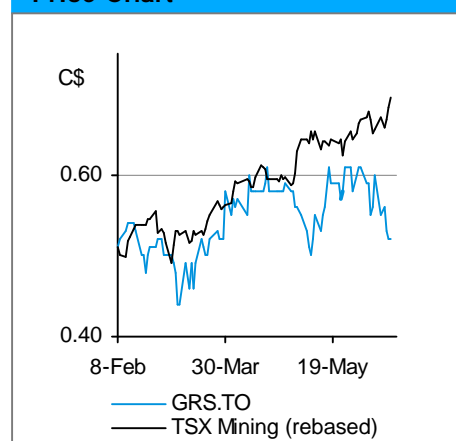
This reserve results in an increased confidence in our assumed mineable resource, increasing our earlier valuation by approximately 10 percent. The successful study crosses another important project milestone and de-risking our valuation by 10% from our earlier valuation of the Goldfields project.

The projected capital expenditures for the Box deposit represent a modest increase over the company's earlier projections, which formed the basis of our earlier assessment, while projected operating costs are now slightly lower than our earlier estimates. These changes are roughly neutral to our earlier valuation. Our expectation for the price of gold remains unchanged from our earlier assessment, which assumes the price will gradually revert to the long-term, inflation adjusted average of US\$550 per ounce, but with annual increases at a nominal inflation rate.

Our valuation continues to project that GLR will successfully incorporate a substantial proportion of the mineral resource at Athona into its mine plan, once the box deposit is depleted in year seven. We project this will add three years to the mine's life, although with higher degrees of project risk.

In addition, we continue to assume that continued exploration on the Goldfields property will add further resources to the project. Work to date has outlined a number of gold showings that appear capable of containing mineral resources comparable with Athona or Box, although with

Price Chart



Valuation

C\$m	Base
Property portfolio	
- Goldfields property	53.0
- others	
Total	53.0
Less: overhead	10.7
Expected value of pipeline	42.3
Add: other investments	0.0
Add: starting cash + new funds	1.1
Total Current Value for Firm	43.4
Less: bank & other debt	0.0
Total Value to Equity Claims	43.4
Less: Alternative Equity Claims	5.5
Ordinary Equity Holders	37.9
Value per share (C\$)	0.86

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considerable project risk assigned. As a result, we believe GLR has a reasonable expectation of mining at Goldfields into the 2020s.

After incorporation of the higher confidence factors and adjustments for the current economic parameters outlined in the final feasibility study, our analysis suggests an expected value of C\$53.0m for the Goldfields project. This incorporates the Box and Athona deposits, and the possibility of at least one additional deposit in future years.

After applying nominal values for the company's other assets and applying our expectations of corporate overhead and values applicable to outstanding warrants and options, we arrive at a valuation for GLR's ordinary equity at C\$37.9m, or C\$0.86 per share.

If all available resources at Box and Athona are ultimately proven, the Goldfields property could yield up to C\$1.91 per share. Our more optimistic outlook for exploration success would suggest values as high as C\$1.34 per share, with a pessimistic view resulting in a valuation of C\$0.59 per share.

The next important hurdles for GLR will be environmental and regulatory approvals, and the formal start of construction. These are expected by late summer or early autumn.

We will also take comfort when we are able to confirm that GLR has successfully completed its arrangements for project financing. The company is negotiating to expand a loan arrangement with Investec Bank.

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