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April 2007

Mining Sector
Listing: Toronto Stock Exchange (GRS.TO)
Frankfurt (GKF.F)

GLR Resources Inc

GLR Resources has an advanced-stage deposit that offers an opportunity for quick development and strong cash flows that will fund development of other deposits on its Goldfields property.

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Initiation Report

Contents

I certify that this report represents my own opinions.

Will Purcell, *Analyst*
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Key Points

9 April, 2007
Price: C$0.55

Gold should show continued strength as developing Asian economies drive increased demand for the metal, while primary producers scramble to reactivate exploration and development programmes curtailed during the bear market of the late 1990s and early 2000s. GLR Resources has an advanced-stage deposit that offers an opportunity for quick development and strong cash flows in the current environment, which will fund development of other gold deposits on its Goldfields property.

- ***Gold will remain in strong demand…***

  Gold is in the sixth year of an extended rally and the outlook remains bullish, fueled by increased demand from the surging economies of China and India and continued growth in the jewellery sector. The price of gold remains strongly correlated to oil and inflation, and current projections suggest further increases are likely in the longer term. Continued weakness in the United States dollar should also sustain a buoyant gold price.

- ***while primary producers scramble to rebuild resources…***

  The gold and resource sector slump that began in the late 1990s prompted major cutbacks in the exploration and development programmes of most companies, especially in North America. Increased production is expected to lag the growth in demand as a result.

- ***offering a unique opportunity for companies with advanced projects…***

  GLR Resources has a high tonnage, medium-grade resource defined on its Goldfields project in northwestern Saskatchewan that it can place into production within two years from the successful completion of a feasibility study and receipt of approvals and permits, both anticipated this year.

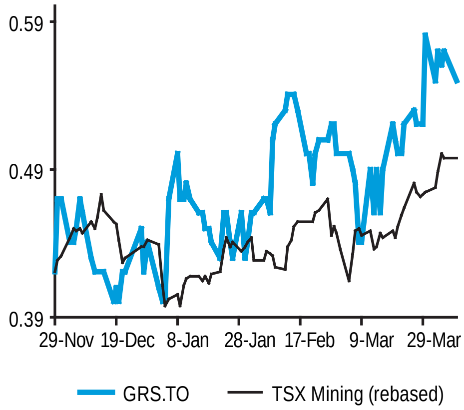
- ***to generate significant cash flows…***

  The capital requirements for the Goldfields mine are modest and tentative financing arrangements for the project are largely in place. The Goldfields project offers a quick payback and an attractive internal rate of return on the initial investment based on gold prices remaining above US$500 per ounce. The project offers investors great leverage in a bullish gold market.

- ***for future expansion***

  GLR's Goldfields property hosts several other gold deposits, including one with an established resource. Once in production, the company will expand its exploration programme with the expectation of expanding the project life well beyond the current seven-year plan for the Box deposit alone.

Price chart (C$)



Value of Equity

Expected Value	C$29.7m
Value per share	C$0.69
Pessimistic Scenario	C$17.7m
Optimistic Scenario	C$43.0m
Value per share	C$0.41 - C$1.01

Company details

Quote	
Shares	
-Toronto Stock Exchange	GRS.TO
-Frankfurt	GKF.F
-Pink Sheets	GLRAF.PK
Hi-Lo last 12-mos. (C$)	0.27 - 0.70
Shares issued (m)	42.7
Fully diluted (m)	50.5
Market Cap'n (C$m)	22.2
Website:	www.glrresources.com

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Overview

GLR Resources is a Canadian junior gold explorer with an advanced project in the northwestern corner of Saskatchewan that has a history of production and a resource defined to NI43-101 standards. The Goldfields property contains one other gold deposit with a defined resource, and several other occurrences at an early stage of investigation that offer excellent expansion potential beyond 2015. The company has several other gold and metal prospects in Ontario and Quebec at earlier stages of exploration.

The outlook for gold remains favourable in the longer term

Gold markets remain buoyant, with prices holding above US$600 per ounce despite doubling over the past five years. Shorter-term predictions suggest gold will climb above US$700 per ounce and sustain those levels for at least a few years, supported by increased demand from the jewellery and investment sectors and signs of fragility in the U.S. economy and dollar.

We currently believe gold will decline somewhat thereafter in real terms, but do not expect a drop below its inflation-adjusted average price since 1970, which is approximately US$550 per ounce.

An advanced project currently in feasibility and permitting

The Goldfields project is at an advanced stage, supported by over 50,000 metres of drilling. It offers GLR an opportunity to capitalize quickly on high gold prices. The company commenced a feasibility study early last year, but is experiencing delays that have pushed its due date one year beyond the original target. At least a portion of the extra time is due to an increase in the scale of the planned mine, generated by the favourable economics of the project. Nevertheless, concern over the delays recently prompted the company to select a new engineering firm to complete the study.

Progress continues behind the scenes. GLR filed its environmental impact statement in mid-February, after making modifications recommended by the authorities. The company anticipates its documents and plan contain no major deficiencies that would unduly delay obtaining government permits and approvals for the mine. GLR is designing its mill and facilities in anticipation of expanding the project beyond the main Box pit. The design and construction phase of the project should take less than two years.

A strong project offering significant cash flow and leverage potential

GLR's Box deposit is capable of supporting a 5,000-tonne-per-day mine for seven years, based on a potential resource of over 10 million tonnes. At that rate, GLR could theoretically achieve annual gold production of 100,000 ounces over the first few years. Combined with low operating costs, the Goldfields project should provide GLR with substantial cash flows over the life of the mine, providing a payback-period of two years on the capital investment.

Excellent expansion potential exists near the planned open pit mine

The Goldfields property contains numerous gold showings that offer considerable upside potential for GLR. The company has a NI 43-101 defined mineral resource in its Athona deposit, immediately southeast of Box and the company contemplates supplying its mill with ore from Athona, once the Box mine is exhausted. A few other deposits are in mid-stages of exploration and initial signs are encouraging. The preliminary design of the mill, tailings pond and waste dump contemplates a potential operation spanning 30 years.

Stable management dedicated to developing the Goldfields mine

Bob Kasner has managed several junior resource companies since the late 1970s, and GLR remains his flagship enterprise. The Goldfields project has been the Kasner group's top property for 20 years and GLR's management has pushed the project forward over that time through three major drill programmes, despite two major bear markets in the gold and resource sector.

The company has several capable geologists and engineers on staff with proven experience in the design, development and construction of open pit gold mines, and GLR continues to be able to raise the funds needed for exploration and preliminary studies. Mr. Kasner and his group have tentative deals in place that should provide the majority of the cash needed to build its Goldfields mine through debt, not equity.

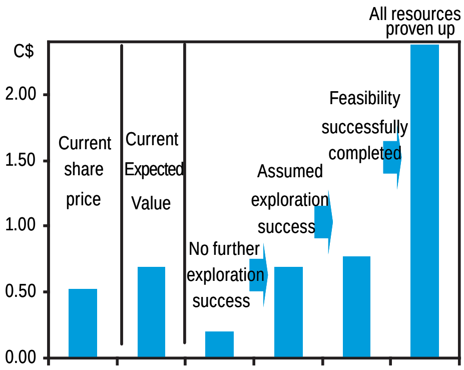
The market currently undervalues GLR in relation to companies with similar projects

We feel the market is undervaluing the potential offered GLR by the Goldfields project, without any consideration for its expansion potential, or the company's other prospects. Our analysis indicates present values for the project are in the C$17.7 million - C$43 million range, or about $0.69 per GLR share.

Comparisons with peer companies with comparable projects at similar stages support our contention that GLR and its Goldfields project remain undervalued. We anticipate this will change over the next 12 months as the project risk decreases through the receipt of a favourable feasibility study, government approvals and the required financing to commence construction.

Valuation

Value if...



Our valuation approach

We have valued GLR by assessing the economic potential of the company's properties after accounting for:

- The economics of mining operations by way of tax, operating costs etc;
- The probability-adjusted proved-up resource by way of classification and size; and
- The probability of feasibility, after taking account of metallurgical, social and regulatory issues.

Our assessment depends on commodity prices, that is both prices prevailing when mining eventually occurs; and the management's operational response to them.

From a valuation perspective, we take account of management's ability to "moth-ball" operations when commodity prices are below the marginal cost of extraction. This creates "optionality" - something that traditional NPV fails to capture. This can be understood by thinking of NPV as assuming that positive and negative deviations from our mid-case have a similar likelihood of occurring and hence balance each other; in mining, by contrast, the downside is capped at the cost of "moth-balling" the site.

We capture this by valuing each years' production as an option, assuming that prices revert to mean over the long run – i.e., the mine will only be operated if the commodity price is above the extraction cost. This means that we value the probability that the price is above the extraction cost, rather than the discounted value of the cash flow using the mid-case of the commodity price.

In valuing the economic potential of resource projects we assume that while commodity prices are volatile they revert to an inflation-adjusted, long-run mean. For example, gold historically trades at approximately US$550/oz (in current dollars) with deviations from mean normally correcting over 8 years with a volatility of 25%.

Our key assumptions

GLR's main asset is the Goldfields property where it is developing the Box and Athona deposits. Our key assumptions for this property are as follows:

- The property currently has a resource of 22.6m tonnes, which we estimate will convert to a mineable resource[1] of 15m tonnes. Our analysis assumes that further exploration will ultimately prove up mineable resources of 21m tonnes with risked mineable resource[2] rising from 7m to 10m tonnes.
- We expect GLR to increase the scope of its project to 5,000 tonnes per day, which could be operational in mid-2009. Capex is anticipated to be approximately C$45m, somewhat above management's current projections. We expect that decommissioning costs will be negligible.
- We have assumed that operating costs will average C$20.61 per tonne with a projected recovery rate of 85%, although the company now expects a gold recovery of about 90%. The Goldfields property is subject to a 2% royalty. We believe GLR will be subject to a 32% corporate tax rate. The company will enjoy a 10-year holiday on Saskatchewan gold royalties.
- GLR has yet to complete its feasibility on the Box deposit. As we see little likelihood of a failure to establish feasibility, we have assumed a 90% chance of achieving this stage.

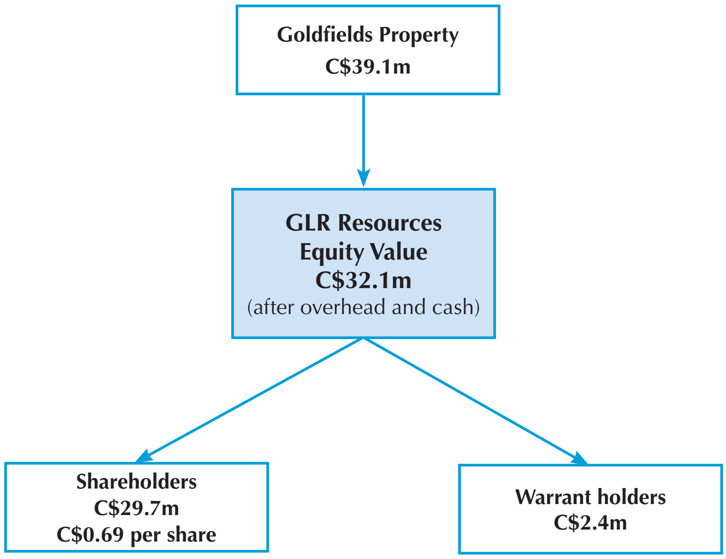
[1] **Mineable resource** is calculated as reserves plus that portion of resources which would be expected to be convert to reserve

[2] **Risked mineable resource** refers to the various classes of resource/reserve weighted by their assumed confidence level

Valuation summary (C$m)

	Base	Pessimistic	Optimistic
	Scenario		
Property portfolio			
- Goldfields property	39.1	25.6	54.6
- others			
Total	39.1	25.6	54.6
Less: overhead	10.7	10.7	10.7
Expected value of pipeline	28.5	14.9	44.0
Add: other investments	0.2	0.2	0.2
Add: starting cash + new funds	3.4	3.4	3.4
Total Current Value for Firm	32.1	18.5	47.6
Less: bank & other debt	0.1	0.1	0.1
Total Value to Equity Claims	32.1	18.5	47.6
Less: Alternative Equity Claims	2.4	0.8	4.6
Ordinary Equity Holders	29.7	17.7	43.0
Value per share (C$)	**0.69**	**0.41**	**1.01**

Components of GLR Resources' entity value



Expected value of GLR

Scenario	Risked mineable resources (m tonnes)	Goldfields property value (C$m)	GLR Valuation (C$m)	Value per share (C$)
Base case outlook	**9.6**	**39.1**	**29.7**	**0.69**
Value for scenarios of further exploration success				
Full proved up	18.5	111.8	91.5	2.14
Optimistic outlook	11.4	54.6	43.0	1.01
Pessimistic outlook	8.0	25.6	17.7	0.41
Value with no further exploration success				
Current resource estimate	6.9	15.9	8.7	0.20

Notes:

- *'fully proven up' scenario assumes that current mineable resource estimates are upgraded to 'Proven' status*
- *for further details see Goldfields property section later in report*

Valuation of Goldfields property

Scenarios for exploration success	Base	Optimistic	Pessimistic
Net value of production	**194.3**	194.3	194.3
Probability of mining success	***48%***	*57%*	*41%*
Expected net value of production	**94.1**	111.3	79.0
Add: tax shield on depreciation charge	**11.7**	11.7	11.7
Less: development & operational capex	**53.8**	53.8	53.8
Value of mining operations	**51.9**	69.1	36.8
Probability of reaching mine development	***90%***	*90%*	*90%*
Expected value of deposit	**46.7**	62.2	33.1
Less:	**0**	0	0
- expect pre-development costs	**0.9**	0.9	0.9
- further exploration costs	**6.7**	6.7	6.7
Expected value of project	**39.1**	54.6	25.6
effective risk haircut	***69%***	*59%*	*78%*
Ownership	***100%***	*100%*	*100%*
GLR's share	**39.1**	54.6	25.6

Sensitivities for assumptions on ...

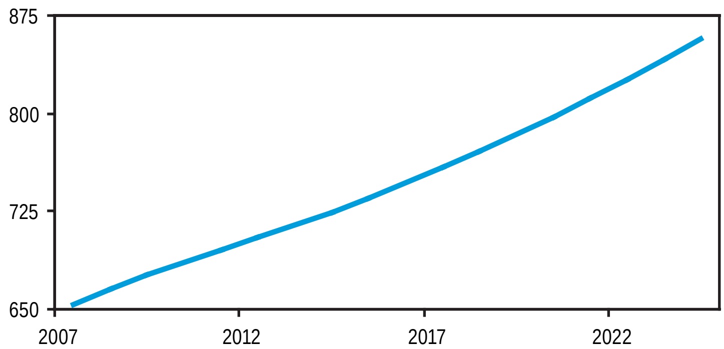
Recovery rate (%)	*75%*	*80%*	***85%***	*90%*	*95%*
Value (C$/share)	0.26	0.48	**0.69**	0.91	1.12
Operating Costs (C$ per tonne)	19.58	**20.61**	21.64	22.68	23.71
Value (C$/share)	0.78	**0.69**	0.61	0.52	0.43
Increase in Capital Cost (%)	***+0%***	*+10%*	*+20%*	*+30%*	*+40%*
Value (C$/share)	**0.69**	0.62	0.55	0.47	0.39
Long run real gold price (US$/oz)	500	525	**550**	575	600
Value (C$/share)	0.46	0.58	**0.69**	0.81	0.91
Time for gold price to revert to mean (years)	6	7	**8**	9	10
Value (C$/share)	0.59	0.64	**0.69**	0.74	0.79
Volatility of gold price (%)	*20%*	*25%*	***30%***	*35%*	*40%*
Value (C$/share)	0.59	0.69	**0.82**	0.98	1.18

Commodity assumptions

Gold prices are mean reverting

Long run level (1970 - now)	550 US$/oz
Avg time to revert	8 years
Volatility	25%
Inflationary price growth	2%

Expected gold price



Our results

After allowing for likely economics, exploration potential and development risk our analysis suggests an expected value of C$39.1m for the Goldfields property. After allowing for corporate overhead and outstanding warrants this values GLR's ordinary equity at C$29.7m, or C$0.69 per share compared to a current price of C$0.55.

Our analysis suggests that current risk adjusted resources support an expected value of C$15.9m, equivalent to C$0.20 per share after overhead. If all available resources were ultimately proven then the Goldfields property could yield up to C$2.14 per share. Our more optimistic outlook for exploration success would suggest values as high as C$1.01 per share.

Benchmarks

While there are numerous potential comparisons possible, each offering a varying answer, Twin Mining Corp.'s Atlanta gold project provides a close comparison in terms of size - although not on its recent management track record.

Twin Mining Corp. has completed a feasibility study on a gold project east of Boise, Idaho that is currently in the permitting and environmental processes. The Atlanta gold proposal calls for an open pit mine that can be built in about a year, once approvals are received. The mine plan calls for Twin to recover 525,000 ounces of gold from 13.6 million tonnes of ore, over a period of about six years, parameters that closely approximate the Goldfields plan. The company also anticipates capital and operating costs for the Atlanta project that are comparable with the Goldfields plan.

Twin Mining's shares have traded at an average of nine cents per share for the past five months. Based on the company's outstanding share total of 223.4 million, the company's market value has averaged C$20.1m. Twin does have other projects, but they are inactive and contribute no real value to the company. Therefore, the market has been ascribing an average value of C$24 per ounce of gold contained in its defined resource to Twin Mining. Over the same period, GLR's market capitalization has averaged C$19.6 million, with the market valuing each ounce of gold contained in GLR's Box and Athona resource at C$16 per ounce.

More recently, Twin Mining has been hit by a series of adverse events. These have included a management shake-up last fall and the company is now proposing a dramatic share consolidation of 15-to-1. Both moves are designed to help the company raise the required funds to build its mine, but they are having a negative impact on Twin's shares. Further, the company had to suspend work on the environmental impact study because of a lack of cash. During the two years prior to the adverse press, Twin's shares traded for an average of 16 cents, which translates to a value of C$43 per ounce of Atlanta gold.

Comparative companies

Company*		Resources m tonnes	Grade Au g/t	Contained Au m ounces	Market Cap C$m	Market Cap /ounce
GLR Resources	**GRS.TO**	**22.0**	**1.75**	**1.22**	**$22.00**	**$18.20**
Twin Mining Corp	TWG.TO	13.6	2.08	0.83	$17.90	$21.54
Acadian Gold Corp	ADA.V	9.4	4.60	1.40	$110	$78.57
Anaconda Gold Corp.	ANX.V	3.0	2.90	0.35	$18.20	$51.96
Halo Resources Ltd.	HLO.V	0.8	12.30	0.32	$13.90	$43.38
Golden Band Resources Inc	GBN.V	10.3	2.20	0.73	$54.30	$74.40
Cumberland Resources Ltd.*	CLG.TO	25.0	4.80	3.83	$600	$156.65

* shown in descending order of comparability

** prior to the take over bid market cap was C$405m and $105 / oz

Success of the Goldfields project depends on…

… a favourable feasibility study

GLR commissioned a feasibility study early in 2006 and the work is now nearly a year overdue, only partly because of changes to the mining plan. The latest delays prompted GLR management to contract the work to a new company and the new start carries the risk of further delays.

The accuracy of our valuations directly depends upon the veracity of the underlying assumptions, which require the detailed engineering of a successful feasibility study to assess within a reasonable degree of comfort.

… timely receipt of approvals and permits

GLR filed its environmental impact statement in mid-February, after making some modifications to its proposal. The company does not anticipate any major deficiencies, therefore it expects to receive the required permits during the summer. Major deficiencies would require resolution before construction can begin, and any significant delays will materially impact the start of production, as supplies and equipment must be marshaled for shipment to the site during the winter.

… controlling operating costs

As a medium-grade, high-tonnage project, Goldfields is particularly susceptible to higher than expected operating expenses. As with any new mine, there is a risk of unforeseen difficulties resulting in higher costs. As well, fuel prices could continue to grow in excess of the expected inflation rates.

… the ability to maintain gold revenues

Deteriorating gold prices or exchange rates could reduce revenues below expected levels. GLR also faces the risk that its gold grades will fall short of its resource projections, and that its gold recovery will fall short of projections. Our valuation models suggest changes in the anticipated revenues will have the greatest impact on the project.

… the company obtaining adequate financing

There is a risk that GLR will not be able to borrow two-thirds of the capital required to build the mine, forcing the company to dilute its existing shares considerably more than expected, through significant share sales at unattractive prices.

GLR Resources, Inc

GLR is a resource sector company engaged in the search for gold, as well as other metals and minerals. The company's focus is the development of a high-tonnage, medium-grade gold deposit in the northwestern corner of Saskatchewan; a project that supported limited mining over 60 years ago. The Goldfields property appears capable of supporting a profitable open pit mine for at least ten years, and possibly for more than 20 years based on the potential of nearby deposits.

GLR has pursued gold across the traditional gold districts of Kirkland Lake in Ontario and Casa Berardi in Quebec, as well as the western Hemlo-Shebandowan district in northwestern Ontario, but these projects are clearly subordinate to the Goldfields development.

The 28-year history of GLR is one of consolidation and expansion, and its ability to adapt to shifts in the economic climate leave the company with a strong capital structure, despite its chase of the Goldfields mine through adverse economic times.

GLR began as Lenora Explorations Inc. in the late 1970s, one of three public junior explorers in the Kasner Group of companies. Lenora was the vehicle Bob Kasner used to acquire the first parts of the Goldfields project in 1987, through an option deal with Cominco Ltd.

Lenora completed two major drill programmes on the Box and Athona deposits in the late 1980s, before rising interest rates, a falling gold price and an economic recession forced a halt. As conditions worsened, Mr. Kasner chose to amalgamate Lenora with his other two juniors, Mary Ellen Resources Ltd. and AXR Resources Ltd.

A share consolidation accompanied the merger. Lenora shareholders received one share of Greater Lenora Resources Ltd. for each four Lenora shares held. The conversion rates for AXR and Mary Ellen were 1-for-5 and 1-for-6 respectively. The amalgamation and share consolidation left Greater Lenora with 4.9 million shares outstanding.

The recession gave way to a boom in the resource sector in the mid-1990s and Greater Lenora resumed work on the Goldfields project, producing a favourable feasibility study and achieving a peak market capitalization of $22-million, based on a peak share price of $4.40.

The company was seeking a buyer for the project at the time, but no interested parties came forth, as the Bre-X saga and the Asian Flu punctured the resource bubble. GLR chose to conserve its strength through the late 1990s and entered the current decade with just 11.5 million shares outstanding.

In mid-2001, Greater Lenora restructured itself to take advantage of the considerable tax benefits accruing to its shell. The company spun off all its mining interests to a new company, which became GLR Resources Ltd. Glacier Ventures International purchased a 100% interest in the remaining shell for $300,000. The arrangement proved profitable for Greater Lenora's shareholders. Glacier Ventures International Corp. is a successful player in the newspaper sector and its shares currently trade in the $3 range.

GLR Resources took advantage of the booming uranium sector in 2005, increasing the number of companies in the Kasner group by one with the successful spin-off of its uranium assets to Uranium City Resources Ltd. Existing GLR shareholders received four Uranium City shares for every 10 GLR shares owned. Uranium City's shares currently trade in the 60-cent range.

GLR currently has 42.6 million shares outstanding. Approximately 2.8 million warrants exercisable at an average price of 32 cents have expiry dates late this year. A further 2.3 million warrants, exercisable at 60 cents, are due to expire in April, 2008. GLR also had 2.7 million options outstanding, with an average exercise price of 51 cents.

Bob Kasner is GLR's largest shareholder. His 5.4 million shares represent about 12 per cent of the company's float. Investec Bank (U.K.) Ltd. became a significant shareholder in 2005, through its purchase of 4.6 million shares in the spring of 2006, at 50 cents each. One-half of a warrant accompanied each share, making Investec potentially the largest shareholder of GLR.

GLR's shares continue to attract interest from institutional investors. RAB Special Situations Fund held 4.9 million shares last year and Sentry Select Capital Corp. owned nearly 3.6 million shares. GLR's shares have been favourites of a number of limited partnerships in recent years including Mavrix, Stone & Co. and Mineral Fields. We currently estimate GLR's free-trading share total at about 22 million shares, just over 50 per cent of the total shares outstanding.

GLR has expanded its administrative staff as it continues the Goldfields development. The company currently employs two geologists and an office staff of three in Kirkland Lake, and three engineers in Toronto, who are dedicated to pushing the feasibility study forward.

GLR's management has proven adept at raising exploration cash over the past several years. The company sold shares worth $10.0 million through 2003, 2004, 2005 and the first nine months of 2006.

GLR has a key financial arrangement in place with Investec Bank that will provide much of the cash needed to construct the Goldfields mine. The company reached agreement with the South Africa-based bank early last year, when the scope of the Goldfields project was considerably smaller. The bank agreed to lend GLR US$17.5 million, through a term loan of US$12.5 million and a convertible facility of up to US$5 million. The debt financing assumed a project cost of approximately US$23 million, leaving GLR needing an additional US $6.5 million to be financed through equity sales.

The expanded mine plan now carries an estimated cost of $45 million, based on proposed contracts, and GLR anticipates Investec will continue to participate by lending the company up to two-thirds of the capital cost of the development. That would boost GLR's debt to about $30 million and leave the company to find the remaining $15 million through equity sales. Discussions with the company suggest GLR may lower the equity portion of its cash requirements though leasing arrangements covering much of the equipment needed for the mine.

The current loan agreement with Investec specifies a six-year term and the convertible loan carries a 60-cent conversion price. Exercise of that option would give Investec a further 9.5 million shares at current exchange rates.

GLR anticipates the loans will be in place soon after the successful completion of the feasibility study. Management also expects Investec will expand its loan commitments in light of the increased scope of the project since the date of the original lending agreement.

The project has the potential to generate nearly $140-million in cash flows over the seven-year life of the Box open pit, leaving GLR with ample cash to develop the Athona pit and pursue additional resources on the Goldfields property and elsewhere.

Like many Canadian junior resource companies, GLR Resources adopted poison-pill legislation late in March. The move ostensibly claims to level the playing field in the event of a takeover bid, but in fact, the strategy does little more than give the company a month or two of extra time to deal with a hostile bid.

Gold is a rare element and the primary uses of the metal are for jewellery, investments and as an international form of currency. Historical gold production is now at about 160,000 tonnes, and nearly all of it remains intact in aboveground stocks. About two-thirds of historical gold production has occurred since the Second World War.

Source of supply and demand

Annual world production from mining operations peaked in 2001 at an all-time high of about 2,600 tonnes and remains buoyant at near 2,500 tonnes per year. Over the past five years, mining accounted for just over 60 per cent of gold supply, with recycled gold contributing nearly one-quarter of the total. Sales by central banks provided the remaining 15 per cent of the gold available annually.

The jewellery industry is by far the greatest gold consumer, taking up nearly three-quarters of the annual supply. Industrial users and investors accounted for most of the remaining gold demand over the past five years.

Price influences

Investors continue to view gold as the best hedge against inflation of all commodities and the price of the metal traditionally reacts to price moves of oil, the United States dollar and world events.

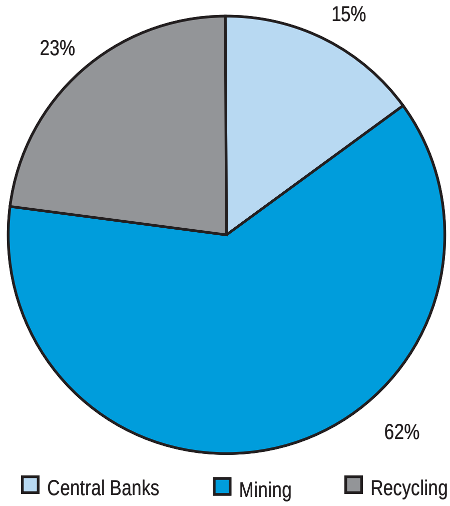
The response of gold to uncertainties created by world events appears somewhat overrated. The dramatic slump from 1997 to 2001 coincided with increased terrorist activity by Al Qaeda, including the bombing of US embassies in the summer of 1998 in Nairobi and Dar Es Salaam, the bombing of the USS Cole in Yemen in the fall of 2000, and the deadly events of September 11, 2001.

Gold price movements are negatively correlated with the strength of the United States dollar and display a strong correlation with the price of oil. The rate of inflation in the United States, which arguably is tied to oil and the exchange rate, offers perhaps the strongest correlation of all.

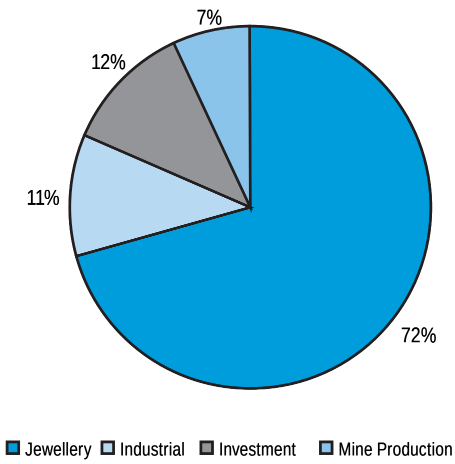
Production costs continue to rise, pushed higher by fuel, steel and labour costs. Average quoted cash costs for production in 2005 were US$270 per ounce, and depreciation, amortization and closure costs added another US$70 per ounce. Further, the costs of continued exploration typically add another US$35 per ounce to the real production costs, bringing the real average cost of an ounce of gold to about US$375.

Economic expansion in Asia, notably China, is boosting demand for gold beyond historical patterns. We expect continuing growth in China, India and other developing Asian economies to sustain the buoyant gold market in the longer term.

Gold supply sources 2001-2005

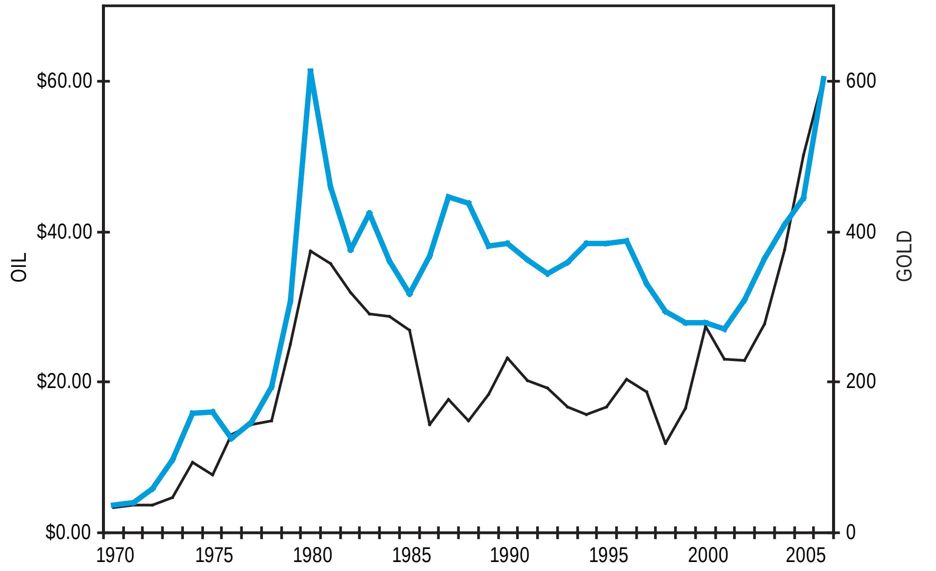


Gold supply sources 2001-2005

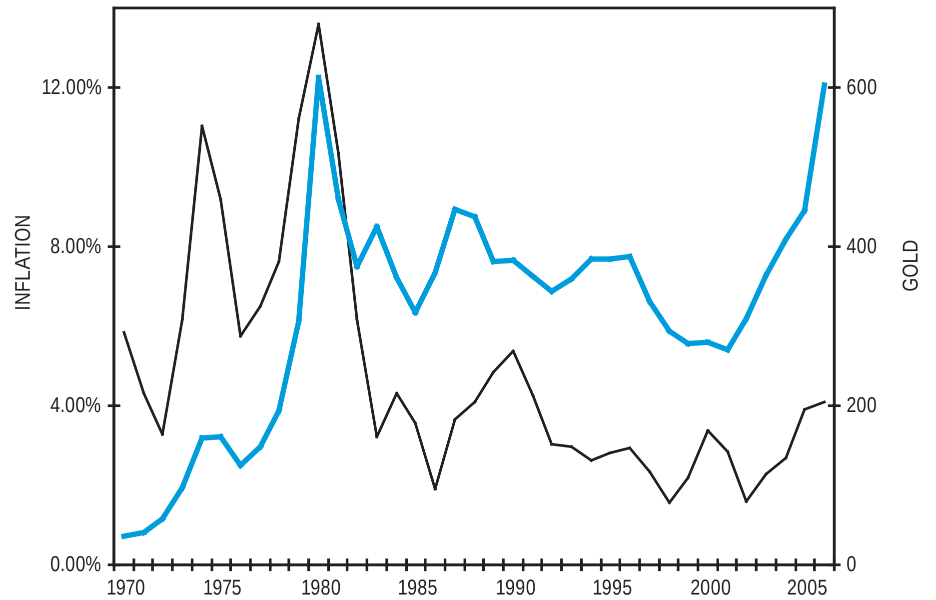


Source: GFMS Ltd.

Gold vs Oil



Gold vs Inflation



Source: www.kitco.com

The price outlook

The price of gold was pegged at US$35 per ounce during the Great Depression and remained so until the early 1970s. Gold has fluctuated wildly since then, surging to a high of over US$800 per ounce in 1980. The next 20 years were generally bearish for the metal and the price dipped to just about US$250 per ounce in the late 1990s.

Gold is now in its sixth year of a rally that began in the spring of 2001 and the long-term outlook remains bullish. The dramatic price sag that ended the 1990s effectively caused many companies to curtail their exploration programmes, resulting in a significant supply lag as the price of gold again reaches its inflation-adjusted historical range.

Although most consider the price of gold to be volatile and subject to major price swings, it remained remarkably stable from the late 1980s to the mid-1990s. In fact, gold averaged US$400 per ounce from 1982 to 1996, generally trading in a range between US$350 and US$450 per ounce.

Once the current rally subsides, gold should stabilize near US$550 per ounce, or higher, based on the cumulative inflation rate over the past 20 years. That level appears realistic, given the long-term, inflation-adjusted average price of gold since 1970 is US$556 per ounce.

Current indicators appear neutral or positive. We expect the dollar to remain under pressure for the next few years and the United States is experiencing a mildly inflationary cycle, marked by rising global interest rates. Oil prices may retreat further from its record levels, but will remain high, relative to the averages for the past 20 years.

Many gold analysts predict prices will average above US$700 per ounce over the next few years because of the continuing bullish indicators. We have assumed that gold prices will revert to their long run inflation adjusted mean of US$550 per ounce over the next few years. We have assumed an annual inflation rate of 2 per cent.

The Saskatchewan Mining Environment

Canada currently accounts for about 5 per cent of the world's annual gold production. Production costs typically are high, because of labour costs and many of the mines are in remote regions where transportation costs contribute a significant portion of the total operating expenses. As a result, Canadian production and exploration dropped off dramatically during the late 1990s. In fact, Canadian gold production in 2004 was just 128.5 tonnes, the lowest level since 1987. Mine closures in the northern and remote regions of the country accounted for much of the decline.

Ontario now accounts for just over one-half of Canada's gold production, while Quebec and British Columbia produce about one-fifth and one-sixth of the annual total respectively. The other eight provinces and three territories combined muster just 10 per cent of Canadian gold production.

Saskatchewan has abundant resources, with its mineral production ranking fourth in Canada. The province produces about one-third of the world supply of both potash and uranium, and it has significant oil and gas production as well. Gold accounts for just a tiny portion of Saskatchewan's mineral production, but the province nevertheless has the potential to become a significant producer, with renewed exploration across the northern part of the province.

Much of Saskatchewan's historical gold production came as a byproduct of other mines, including the big uranium operation at Cluff Lake and the base metal mines near Creighton and Flin Flon. The area around Lake Athabasca supported limited mining in the late 1930s, notably on the property now held by GLR Resources. The first mines in the La Ronge belt began producing gold in the latter half of the 1980s and the Seabee mine, run by Claude Resources, has been in production since the early 1990s.

Saskatchewan is a mining-friendly province, despite its left-of-centre New Democratic Party government. In 2002, the government approved a comprehensive benefits package that included a 10-year royalty holiday for precious metal mines, along with several incentive programmes. For production outside of the holiday period, the Saskatchewan royalty is set at 5 per cent of a company's net profit for the first one million ounces, and 10 per cent thereafter.

The Goldfields Project

Introduction

The Goldfields project is a low-grade, high-tonnage stockwork gold deposit on the north shore of Lake Athabasca. The main Box orebody supported a modest mine for three years in the early 1940s. Thereafter, the project saw limited gold exploration until 1986, when Bob Kasner acquired an option on the property through Lenora Resources.

GLR proposes to put the Box deposit into production and is applying for permits on the basis of a 2,000-tonne-per day mine, but we believe the economics of the project are superior with a greater mining rate. GLR is currently working on a feasibility study for the project, which is due this spring. We believe the deposit has the potential to produce 100,000 ounces of gold per year initially, and additional deposits nearby offer good potential for future expansion that could keep the mill operating for many years.

Projection description

The Goldfields property consists of 33 contiguous mining claims and five mining leases, covering 32,641 hectares of ground on the northern shore of Lake Athabasca. The property forms a rough triangle centred about 15 kilometres southeast of Uranium City. The Goldfields project is in the northwestern corner of Saskatchewan, about 55 kilometres south of the Northwest Territories border and 75 kilometres east of the Alberta border.

The property has good access and infrastructure despite its northern location. The once booming town of Uranium City has an all-weather airport with daily flights from Saskatoon and Regina. Charter air services providing fixed-wing aircraft and helicopters capable of servicing the Goldfields property are available from all the larger Saskatchewan centres, as well as La Ronge and Stony Rapids.

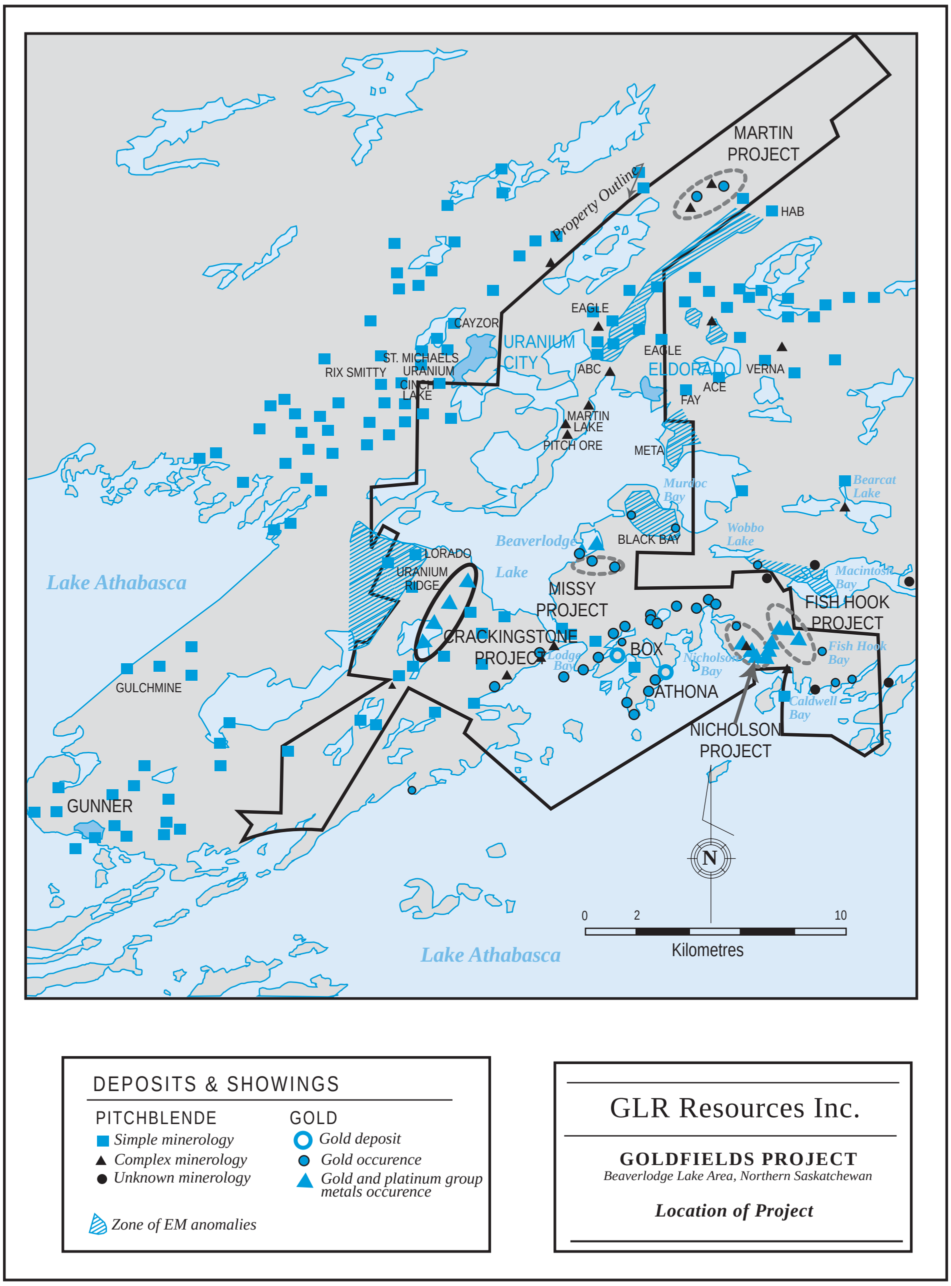
Road access terminates at Stony Rapids, at the eastern end of Lake Athabasca, at Fort McMurray in northeastern Alberta. All-weather road access from the railhead at Hay River in the Northwest Territories extends through Fort Smith to Fitzgerald, on the Slave River, which connects with the western end of Lake Athabasca. There is an available power supply.

Heavy equipment and supplies can be barged to Uranium City from mid-spring to late fall from Stony Rapids and Fitzgerald. Ice roads operate during the winter months, but barging is the preferred method of transporting supplies and heavy equipment.

A system of gravel roads connects the southern portions of the Goldfields property, including the Box mine site, with Uranium City. The more remote northern sections of the project are accessible by boat from the terminus of the gravel road system.

Exploration potential

Beaverlodge location



Source: GLR Resources, Inc.

Uranium City was established about 60 years ago, during the uranium boom following the Second World War. The community is still a government administrative centre providing accommodation, supply and communications services to the region.

Electrical power in the area comes from the Charlotte River hydroelectric station, operated by SaskPower. Electrical grids connect the Box mine and the Eldorado mine and a new line connects this local grid with the provincial grid in the Collins Bay area.

GLR Resources now owns a 100-per-cent interest in and is the registered mining claim holder of all the claims and leases forming the Goldfields property. Franco Nevada, now Newmont Mining of Canada, holds a 2-per-cent royalty on the Box deposit.

Geology, mineralisation and metallurgy

The Goldfields project lies within the Western Craton Tectonic Zone of the Churchill Structural Province. The gold mineralization at the main Box mine site occurs in a zone of altered, granitized, coarse-grained metasediments and granite intrusives, with structurally controlled quartz veining, known as the "Box Mine Granite". This rock is a fine-to-medium-grained unit consisting of quartz and feldspar, with muscovite and sericite. The rock is pink, red, pale to medium orange and white in colour.

The highest gold values are associated with the northerly trending quartz veins and sulphide mineralization. Pyrite, galena and sphalerite are the dominant forms of sulphide mineralization within the deposit.

Low-grade stockwork deposits are typically difficult to mine because of significant grade variability across short distances and the presence of plumes of nearly barren material within the ore body. Such deposits are difficult to delineate and model, but are amenable to open pit mining.

The Box deposit is oriented north to south and dips to the east at a 45-degree angle. Horizontal cross-sections through the deposit appear roughly oval shaped, although the width of the ore body is somewhat larger toward the south.

The Athona deposit, about two kilometres east-southeast of Box appears to be geologically similar to the main Goldfields deposit. The property contains several other gold occurrences that received limited exploration in the past, but preliminary indications suggest the project has expansion possibilities beyond Box and Athona, and the company's plan attempts to accommodate this potential.

GLR plans to use the Gekko gold recovery system at Goldfields. The system extracts gold from the host rock by high-intensity leaching following gravity concentration. Initial expectations pointed to a gold recovery in excess of 87 per cent. Recent estimates now place the gold recovery below 80 per cent, because of the reduction in mass pull required to reduce the amount of concentrate sufficiently to fit the Gekko inline reactor. The cost of the Gekko system escalated considerably over the past 18 months, but GLR will not experience a cost increase as it now plans to use just the gravity portion of the system. With the changes, GLR believes its gold recoveries could top 90 per cent. Until this is demonstrated at the feasibility stage, we prefer a more conservative 85 per cent for modelling purposes.

History

Tom Box and Gus Nyman discovered gold on the north shore of Lake Athabasca in the mid-1930s. They sold their discovery to Cominco Ltd., which completed major drilling programmes through the late 1930s, culminating in limited production from the Box mine between 1939 to 1942. Underground development at the Box mine consisted of 4,900 metres of drifting and crosscutting on the 30-metre, 90-metre and 150-metre levels. An inclined shaft extended to a depth of 76 metres, and a second inclined shaft extended to a depth of 210 metres. The company recovered 64,000 ounces of gold from 1.29 million tonnes of ore, for an average grade of about 1.5 grams per tonne.

Great Bear Mines Ltd. discovered the nearby Athona deposit concurrently. Subsequently known as Athona Mines Ltd., the company completed extensive underground development through the late 1930s, developing a resource of 1.15 million tonnes grading 2.94 grams of gold per tonne. Cominco and Athona reached an agreement that the former would process the Athona ore at its Box mill, but the outbreak of the Second World War derailed the plan.

Cominco closed the Box mine in 1942 because of a shortage of workers brought on by the war and the Athona project was shuttered before production could begin. Both projects remained mothballed after the war despite their apparent profitability. The Goldfields claims received limited attention from various explorers until Lenora Resources optioned the Box and Athona properties from Cominco in 1987.

Drilling

GLR mounted major drill campaigns in the late 1980s, the mid 1990s and again in 2004 and 2005, adding to information available from the extensive drilling completed by Cominco and Athona during the 1930s.

Lenora Resources drilled 52 core holes totaling 6,383 metres into the Box deposit and 55 holes totaling 5,656 metres into the Athona body during its initial investigations in 1987 and 1988. The company also completed a 3,000-tonne bulk sample from Box and a 6,000-tonne sample from Athona. The bulk tests produced an average grade of 1.88 grams per tonne.

The company drilled 47 reverse-circulation holes for a total of 3,168 metres into Box and 11 reverse-circulation holes totaling 1,176 metres into Athona during 1989. It then halted active work on the project for several years because of economic recession.

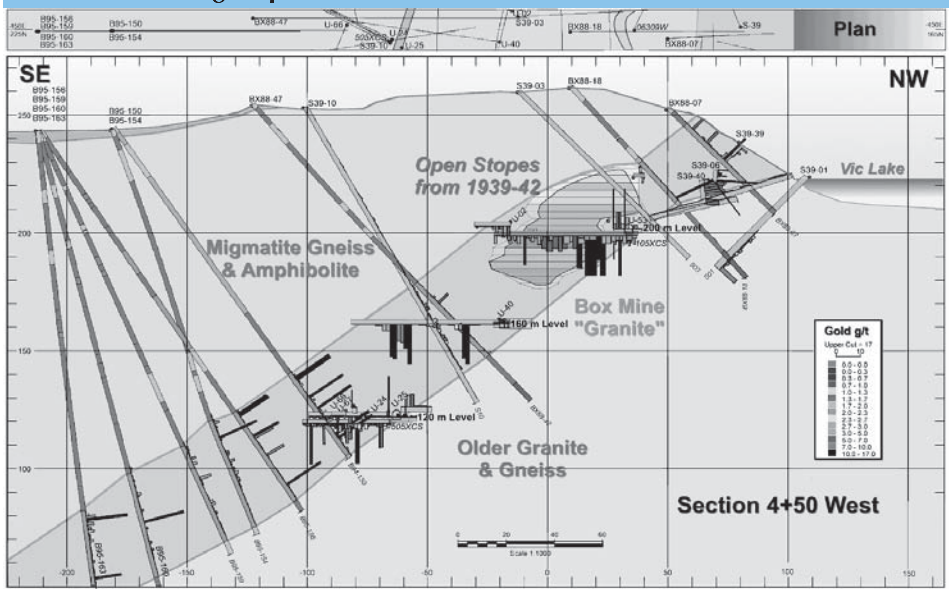
Greater Lenora mounted its next major drill programme in 1994, when it drilled 52 core holes for 6,705 metres into Box and 52 holes for 4,000 metres into the Athona deposit during 1994. The following year, the company drilled 97 core holes into Box, for 18,557 metres and 78 into Athona, for 6,413 metres.

Combined with the historic results, Greater Lenora was able to complete a feasibility study later that year. The outcome was favourable, but the dramatic slide in gold again forced the company to put its plans on hold.

GLR revived the Goldfields project in 2004, with a 15-hole drill programme, followed by 22 more tests the following year. The purpose of the new drilling was to generate a mineral resource calculation that met NI 43-101 standards.

In all, GLR and its predecessors have drilled 402 holes into the Box property since 1935, totaling 48,500 metres.

Goldfields drilling map



Source: GLR Resources, Inc.

Mine plan

GLR currently proposes to build an open pit mine at the Box deposit capable of exploiting the large ore body. The plan proposes to mine a total of 10.3 million tonnes of ore and 31.7 million tonnes of waste, for an average stripping ratio of about 3.1-to-1. The stripping ratio will initially be low, averaging about 2-to-1 over the first two years, reaching a maximum of about 5-to-1 during the fourth and fifth years.

The western wall of the pit will slope eastward at a 45-degree angle, approximating the dip of the ore zone. The eastern wall of the pit will be steeper, with a slope of about 55 degrees.

GLR is proposing to build a mill using a modular concept, which should allow the company to realize a significant salvage value at the end of production. It is anticipated that the resale value will cover most of the closure costs associated with the mine. GLR's management does not anticipate mine closure and site cleanup costs to be significant.

GLR anticipates the completion of its feasibility study before summer. Following a favourable result, the company will complete its detailed planning through the summer and early fall in sufficient time to order and procure the required equipment and materials for shipment to the site during the winter of 2008.

Construction is expected to occur throughout 2008 and GLR anticipates a mine start-up late in 2008 or early 2009. This schedule may be somewhat optimistic. We assume a more conservative start-up date of mid-2009, which will also account for any ramp-up issues.

Production plan

GLR's concept for the Box deposit involved production rates of about 2,000 tonnes per day and it is applying for permits on this basis. For the purposes of our valuation model, we assume a mining rate of 5,000 tonnes per day, or 1.75 million tonnes per year at peak production.

Based on current grade estimates, the Box open pit should produce a total of 550,000 ounces of gold during its seven-year lifespan, with annual production peaking at near 100,000 ounces per year during the first four years of operations. The Athona pit should expand the project life to at least 10 years and add at least 200,000 more ounces to the production tally.

The actual production will be contingent on GLR achieving the grades projected in its resource estimates and achieving the gold recovery rates initially projected for the Gekko recovery system. We feel both targets are realistic at this time.

Resource calculations

Wardrop Engineering updated the mineral resource calculation for the Box deposit last year, increasing the amount of contained gold significantly. The latest estimate pegs the Box deposit with 12.2 million tonnes of ore, using a cut-off of 0.5 gram per tonne. The average grade of the rock is 1.75 grams per tonne, for a total gold resource of 687,000 ounces. Wardrop also calculated an inferred resource of 2.1 million tonnes with an average grade of 1.38 grams per tonne, containing another 92,000 ounces of gold.

Using a higher cut-off of 1.0 gram per tonne, the measured and indicated resource drops to 7.1 million tonnes, grading 2.49 grams per tonne, for a total contained gold resource of 570,000 ounces. The inferred resource at this cut-off is 1.0 million tonnes, grading 2.13 grams per tonne, which adds a further 68,000 ounces to the resource.

We expect the mine to process ore using an effective cut-off of about 0.67 gram per tonne. Based on the resource projections, we estimate the measured and indicated resource at that cut-off to be 10.3 million tonnes.

Using a similar limit, the inferred resource is approximately 1.5 million tonnes, with an average grade of 1.60 grams per tonne.

Wardrop Engineering recently updated the resource calculation for Athona. The company outlined an indicted resource of 7.0 million tonnes grading 1.28 grams per tonne, using a cut-off of 0.5 gram per tonne. Athona also contains an inferred resource of 1.4 million tonnes at an average grade of 1.10 grams per tonne. Wardrop now estimates the total gold resource at Athona at 339,000 ounces.

Using a cut-off of 1.0 gram per tonne, the Athona deposit could contain sufficient ore to supply the Goldfields mill for up to three additional years, with annual gold production of about to 90,000 ounces per year, comparable with the Box ore body.

Exploration potential

The Box deposit has been drilled adequately such that that the bulk of the ore present has been outlined and appears sufficient to support the mill for seven years. GLR expects to develop the Athona deposit in sufficient time that it will seamlessly replace Box as the main source of feed for the mill. Several other gold occurrences are present on the property that require more drilling to assess properly. Of these, two are at a more advanced stage and could represent future development opportunities.

The Frontier deposit, one kilometre north of the Box deposit, contains mineralization in a sill-like zone ranging from six to 18 metres thick that dips 30 degrees to the southeast. Limited drilling occurred on the deposit and produced significant gold values. The Frontier mineralization appears to be a higher-grade, narrow vein gold deposit, with grades ranging from 8.16 grams per tonne to 28.18 grams per tonne.

The Golden Pond deposit, two kilometres northeast of Box, was drilled by GLR in 1995 and again last year. The 1995 programme yielded grades of 5.1 grams per tonne over 15 metres and 16.5 grams per tonne over 13.6 metres, suggesting the occurrence has the potential to support open pit mining. Additional gold occurrences dot the Goldfields property and offer significant blue-sky potential.

The company is designing its mill and tailings pond facilities in anticipation of a lifespan potentially in excess of 25 years, based on the early potential demonstrated by the numerous gold occurrences.

Future exploration and drilling

GLR has sufficient drill data to complete its feasibility study, which is due by the end of June. GLR is likely to defer major drill programmes on the Goldfields property until it has its mine built and in production, giving it access to in-house assay facilities and a nearby base of operations. The company will then have much faster turnaround times on its samples and its exploration costs will be significantly lower.

The company will step up its drilling on Frontier, Golden Pond and several other deposits and gold occurrences on the Goldfields property after production commences in mid-2009, supported by the local infrastructure and cash flow from the mine.

Risked mineable resource assumptions

Reserves		**Probability**	**Tonnes** (m)
Proven		*90%*	0
Probable		*65%*	0
Total		***0%***	**0**
Resources	**Conversion**	**Probability**	**Tonnes** (m)
Measured	*70%*	*90%*	1.5
Indicated	*65%*	*50%*	17.6
Inferred	*60%*	*10%*	3.5
Hypothesised	*60%*	*0%*	10
Total	***63%***	***32%***	**32.6**

Mineable resource	**Tonnes** (m)
Mineable resource	**21**

Risked mineable resource	**Tonnes** (m)
Current classification	7
Scenarios for exploration success	
- base case	10
- optimistic case	11
- pessimistic case	8

Notes:

- *mineable resource have been estimated as reserves plus the portion of resources that would be expected to convert to resources considering deposit type and likely grade variability*
- *risked mineable resource refers to the various classes of resource/reserve weighted by their assumed confidence level*

Other relevant issues

GLR has filed its environmental impact statement (EIS) with the Saskatchewan government, following extensive consultation with area communities and government officials. The EIS anticipates no habitat destruction or disturbances to fisheries, with minimal potential for acidic drainage.

Most of the mined material will be in the form of benign rock, because the Gekko recovery system concentrates the ore and the main sulphide material, which will account for just 10 per cent of the mined rock. The remaining waste will go to the main waste dump, leaving the tailings pond to handle a much smaller amount of toxic material. GLR plans to use cyanide destruction circuits in the mill, which will reduce the potential hazards significantly. Future developments on the property would use the Box pit as a waste dump.

GLR anticipates the government will not identify any major deficiencies with its plan and any minor issues will not delay the required permits. As a result, the company expects to have the required approvals in place later this year.

The EIS proposes to permit the mill, waste dump and tailings pond for an extended period beyond the apparent life of the Box mine. As a result, it is reasonable to expect subsequent development at Athona and any other gold deposits on the Goldfields property will receive routine approval, as the future mines would use the same facilities as the Box mine.

There are no outstanding land claims in the Lake Athabasca area, and GLR is maintaining good relations with the local First Nations. Unemployment is high in the area and many local residents are eager to find gainful employment. Discussions with management suggest the company is actively pursuing equity investment from North American aboriginal groups.

Major project issues

The feasibility study is well behind schedule, and the delays have impacted GLR's share price significantly. The company utilized Wardrop Engineering for its scoping studies and prefeasibility work with the intention that this would develop into a full feasibility study. GLR originally expected to complete a feasibility study by April, 2006, but it has not yet accomplished this.

A portion of the delay is due to the increased scope of the project, announced in April of 2006, but the completion date for the feasibility study continued to slide thereafter, because of the need for further data.

GLR has now decided to contract with a new company to complete the study, and does not anticipate any further problems or delays. If the feasibility study is delayed beyond June, it will have further negative impact on GLR's share price.

Like all medium-grade, high-tonnage gold deposits, the economics are significantly influenced by minor changes to grade, gold prices and operating costs. GLR will have to maintain its expected production grade, while keeping operating costs within the predicted range. This could prove challenging in the context of the recovery issues surrounding the Gekko system, although current indications suggest the company is likely to achieve a gold recovery of at least 85 per cent.

The current plan proposes a maximum operational staff of up to 130 operational mine personnel. GLR is investigating new technologies for its mill, and to a lesser extent, in its proposed mine, that will reduce the required staff and minimize its expected operating costs. Wage costs are high in northern Saskatchewan, and the mine will incur significant air transportation costs for its workers. The current plan calls for the mine to run with two 12-hour shifts, on a two-weeks-in and two-weeks-out basis.

Other Properties

GLR has a number of less advanced gold projects in Ontario and Quebec that offer continued exploration potential, but do not yet have any impact on the company's valuations. The company completed work programmes on three properties in the past two years.

Stares-Calvert Project

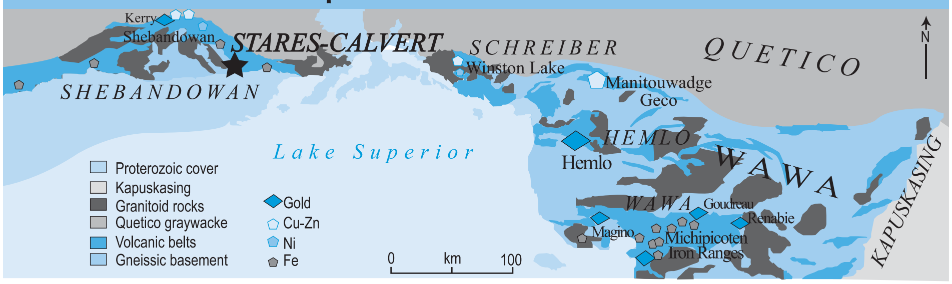
The Stares-Calvert project is located about 55 kilometres west of Thunder Bay, in the Hemlo-Shebandowan greenstone belt that is host to large deposits of gold, base metals and iron. GLR optioned the property in 2000 and holds the project jointly with its sister company, RJK Explorations Ltd. The option requirements are now fulfilled. The vendors retain a 3-per-cent NSR royalty on the property.

The discovery of several large boulders with significant mineralization on the property over the past decade provided the impetus for the project. Assays of samples collected from the boulders produced zinc values as high as 20 per cent with lesser amounts of gold, and trenching revealed subcrops that yielded similar results.

Exploration to date includes in excess of 8,500 metres of drilling, pointing to a possible faulted offset of the original zone. The target is a volcanic-hosted deposit containing economic quantities of base metals and gold.

Exploration on the property has been curtailed significantly since 2004, but Stares-Calvert remains an active project in GLR's mid-term plans.

Stares-Calvert location map



Source: GLR Resources, Inc.

Kirkland Lake Properties

GLR's 100-per-cent-owned Omega Mine property is 34 kilometres east of Kirkland Lake on the productive Larder Lake break, about eight kilometres west of the former Kerr Addison mine. The Omega property was in production over 60 years ago, producing 250,000 ounces of gold at an average grade of 0.158 ounces per ton. GLR has outlined a resource of 750,000 tons grading 0.16 ounce per ton.

In 2005, GLR acquired the Hurd-McAuley gold prospect in Teck township, in the Kirkland Lake area of Ontario. The property adjoins ground held by Kirkland Lake Gold Inc., which reported a spectacular assay in 2005. GLR spent $325,000 drilling eight holes on the Hurd-McAuley property in 2005, intersecting gold in 12 zones up to two metres wide. The company did not work the project last year, as it concentrated on the Goldfields development.

GLR maintains a 100-per-cent interest in the Kirkland West (Baldwin) property, also in the Kirkland Lake area, about five kilometres west of the Macassa mine, currently operated by Kirkland Lake Gold Inc.

GLR also has a 100-per-cent interest in the Puiseaux-Orvilliers property in the Casa Berardi district Quebec. The company acquired the property in the 1980s, but is not currently engaged in active exploration on the gold prospect.

Goldie Project

The Goldie property is located 50 kilometres west of Thunder Bay, adjacent to the Trans-Canada Highway. GLR acquired the property in conjunction with its sister company, RJK Explorations Ltd in the late 1990s, following the discovery of gold mineralization in the area by Battle Mountain Gold.

The Goldie property hosts gold mineralization associated with deformation zones in mafic and ultramafic rocks containing quartz carbonate stockwork veins, as well as in disseminated pyrite, arsenopyrite and free gold occurrences. GLR's limited exploration programme produced 1.73 grams of gold per tonne over 14.5 metres and 1.37 grams per tonne over 12.4 metres. The company recently completed geophysics over the property, resulting in several areas of interest. GLR considers Goldie to be an active, exploration-stage project.

Financials

Profit & Loss

Year ending December (C$m)	2005	2006	2007	2008	2009	2010
Revenues	**0.1**	**0.1**	**—**	**—**	**43.8**	**83.2**
COGS	—	—	—	—	(14.9)	(28.0)
Gross profits	0.1	0.1	—	—	28.9	55.2
Administrative Costs	(1.4)	(2.4)	(2.0)	(2.0)	(2.0)	(2.0)
EBITDTA	**(1.3)**	**(2.3)**	**(2.0)**	**(2.0)**	**26.9**	**53.2**
Depreciation & amortisation	—	—	—	—	3.5	8.0
Writedowns and Minority interests	4.0	—	—	—	—	—
EBIT	2.6	(2.3)	(2.0)	(2.0)	30.4	61.2
Interest			0.9	(2.4)	(1.9)	(0.7)
EBT	2.6	(2.3)	(1.1)	(4.4)	28.5	60.5
Tax paid	(0.4)	(0.3)	0.5	0.9	(6.4)	(13.4)
Earnings	**2.2**	**(2.5)**	**(0.7)**	**(3.5)**	**22.0**	**47.2**
Dividends		—	—	—	(7.3)	(15.7)
Retained earnings	**2.2**	**(2.5)**	**(0.7)**	**(3.5)**	**14.7**	**31.5**

Cashflow statement

Year ending December (C$m)	2005	2006	2007	2008	2009	2010
EBIT	2.6	(2.3)	(2.0)	(2.0)	30.4	61.2
Depreciation	—	—	—	—	3.5	8.0
Gains & Writedowns	(3.7)	0.0	0.0	—	(4.4)	(3.9)
(Increase) decrease in inventory		(0.8)	—	—	—	—
Increase (decrease) in payables	0.4	—	—	—	4.5	3.9
Net cash from Ops	**(0.6)**	**(3.1)**	**(2.0)**	**(2.0)**	**34.0**	**69.2**
Tax paid	(0.4)	(0.3)	0.5	0.9	(6.4)	(13.4)
Dividends		—	—	—	(7.3)	(15.7)
Net interest recieved (paid)		(0.0)	0.9	(2.4)	(1.9)	(0.7)
New equity	2.0		10.0	5.0	—	—
New (deposits) borrowings	(0.1)	—	30.0	5.0	—	—
Capital expenditure		—	(18.0)	(22.5)	(4.5)	(0.3)
Net cash from financing	**1.5**	**(0.3)**	**23.4**	**(14.0)**	**(20.2)**	**(30.1)**
Net increase (decrease) in cash		**(3.4)**	**21.4**	**(16.0)**	**13.8**	**39.1**

Balance sheet

Year ending December (C$m)	2005	2006	2007	2008	2009	2010
Fixed assets at NAV	6.0	6.0	24.0	46.5	47.5	39.8
Cash	1.1	(2.2)	19.1	3.1	16.9	56.0
Receivables	0.1	0.1	0.1	0.1	4.5	8.4
Inventory		0.8	0.8	0.8	0.8	0.8
Less Payables	(0.2)	(0.2)	(0.2)	(0.2)	(4.6)	(8.6)
Net current assets	**1.1**	**(1.5)**	**19.8**	**3.8**	**17.5**	**56.7**
Less loans	(0.8)	(0.8)	(30.8)	(35.8)	(35.8)	(35.8)
Capital employed	**6.3**	**3.8**	**13.1**	**14.6**	**29.3**	**60.7**
Represented by						
Shares in issue	6.2	6.2	16.2	21.2	21.2	21.2
Add retained profit						
Prior periods		0.1	(2.4)	(3.1)	(6.6)	8.1
This period	0.1	(2.5)	(0.7)	(3.5)	14.7	31.5
Shareholders' funds	**6.3**	**3.8**	**13.1**	**14.6**	**29.3**	**60.7**

Source: Objective Capital

Robert J. Kasner – President and Director

Bob Kasner is a self-employed prospector and contractor who has been involved in the mineral exploration and development industry for 40 years, across much of Canada and overseas. The Kirkland Lake resident has been actively exploring the Goldfields property since the mid-1980s through the Kasner group of companies. Mr. Kasner has been president of GLR since a corporate reorganization in 2002. Prior to that, he served as president of the three GLR predecessor companies, Greater Lenora Explorations, Mary Ellen Resources and AXR Resources. Mr. Kasner is currently the chief executive officer and president of Uranium City Resources, a uranium exploration company operating in Northern Saskatchewan.

James S. Kermeen – M Sc. P.Eng. Director

Jim Kermeen is a self-employed professional consulting geological engineer based in British Columbia who has over 50 years of experience in mineral exploration and development, much of it the Athabasca Basin. He was a senior exploration geologist with Saskatchewan Mining Development. For the past 15 years, Mr. Kermeen has been involved with the management of several junior exploration companies, serving as director and president.

John F. Cook – B. Eng, P. Eng Director

John Cook has over 40 years of experience as an engineer in the exploration and development industry. He is president of Tormin Resources and serves as a director of Anaconda Gold Corp., Wolfden Resources Inc., MBMI Resources and Uranium City Resources Inc. Mr. Cook was operations director for Navan Resources, an Irish mining company during the mid-1990s and served as vice-president of operations for companies in the Goldcorp group from 1990 to 1994. Earlier, he served as vice-president of engineering for Lac Minerals. Mr. Cook joined Mr. Kasner in the Greater Lenora boardroom in 1996 and currently serves as GLR's qualified person for the Goldfields project.

William R. Whitehead – Director

Bill Whitehead is a self-employed businessman. He has been associated with the Kasner group of companies since the mid-1980s, serving as a director of GLR and its predecessors.

Robert D. Kasner – Director and Secretary

Mr. Kasner is a successful, self-employed businessman in the construction business. Mr. Kasner also serves as secretary of Uranium City Resources. He is based in Ontario.

Stephen Gledhill -- B. Math; C.M.A. Chief Financial Officer

Mr. Gledhill has over 20 years of experience in the financial industry and serves as CFO for several companies, including Uranium City Resources. He holds a degree in Mathematics from the University of Waterloo and is a Certified Management Accountant.

John Orr – P. Eng. Chief Operating Officer

Mr. Orr is a professional Engineer with over 25 years experience in the mining industry. During his career he has worked with a variety of commodities (including Gold), at both underground and open pit mining operations. His previous work on open pit mining projects in the Northwest Territories and in Northern Ontario make him a key participant in the advancement of the Goldfields project.

Malcolm Bucholtz – B Sc. MBA Vice President, Public and Corporate Relations

Mr. Bucholtz is a graduate of Queen's University (Metallurgical Engineering) and the Edinburgh Business School. From 1986 to 2002, Mr. Bucholtz held positions of increasing responsibility in the Canadian steel industry. For the past 5 years he was an Investment Advisor with Union Securities, an independent Canadian brokerage firm.

We are pleased to bring you this report on **GLR Resources Inc**.

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As always, I welcome your comments and feedback on our research!

Gabriel Didham, CFA
Objective Capital

Will Purcell
Will has been involved in the resource sector for 30 years in a variety of roles. Since the late 1990s, he has been active in assessed mineral resource investment projects. Will has a B. Math degree from the University of Waterloo in Ontario.

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