GL ENERGY & EXPLORATION INC
Form 10KSB
March 08, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003
COMMISSION FILE NUMBER 000-31032

GL ENERGY AND EXPLORATION, INC.
(Exact name of registrant as specified in charter)

DELAWARE	52-2190362
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

#300-1497 Marine Drive, West Vancouver, B.C.	V7T 1B8
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (604) 926-2873

Securities registered pursuant to section 12(b) of the Act:

Title of Class	Name of each exchange on which registered
NONE	NONE

Securities registered pursuant to section 12(g) of the Act:

Common Stock
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy of information statements incorporated by reference in Part 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: $0.

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock as of a specified date within the past 60 days: As of February 26, 2004, the aggregate market price of the voting stock held by non-affiliates was approximately $ 1,436,046.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of February 26, 2004, the Company had outstanding 31,073,641 shares of its common stock, par value $0.001.

TABLE OF CONTENTS

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Company Background

GL Energy and Exploration, Inc. was incorporated in the state of Delaware on October 7, 1998 under the name LRS Group Incorporated. On October 15, 1998, the name of the corporation was changed to LRS Capital, Inc. On October 10, 2001 the name of the corporation was changed to GL Energy and Exploration, Inc. GL Energy is a development stage company.

Prior to May 29, 2003 our plan of operation was to be engaged in the exploration of mining prospects with tungsten mineralization located in the Western United States. We had an agreement with Platoro West Incorporated, a mineral exploration company, under which that company would locate, stake out and record mining claims that the mineral exploration company believed to contain high concentrations of tungsten. The mineral exploration company staked 30 unpatented claims for GL Energy pursuant to this contract. If we defaulted under the contract, the remedy specified in the agreement called for us to convey to Platoro West all of our right title and interest in the mining claims and to all the mineral resources located therein. On October 10, 2001, GL Energy formed GL Tungsten, Inc. as a subsidiary incorporated in the state of Nevada, for the purpose of conducting the mining exploration activities of the company. GL Energy and Platoro West each assigned its respective obligations under the mineral exploration agreement to GL Tungsten. GL Energy owns 99.3% and Platoro West owns .7% of GL Tungsten. On August 7, 2003 we notified Platoro West that we were terminating this agreement and forfeited all our rights and interest in the applicable mining claims. As of December 31, 2003 GL Tungsten has no business activities.

In February 2003 we formed a new wholly owned subsidiary, GL Gold, Inc. GL Gold agreed to an asset purchase agreement, dated as of February 25, 2003, to acquire a permitted gold mine as well as two un-permitted groups of mining claims, which may have gold mineralization. At its election, the company may also acquire certain mining equipment. The mining claims and assets are located in Oregon. The agreement required the company to pay a $10,000 deposit, as well as $590,000 for the mining claims and $150,000 for the equipment. The purchase was subject to a number of conditions, which originally required completion on or before April 30, 2003, including the company raising the purchase amounts, and completing its due diligence. In April 2003, the company and the seller agreed to extend the closing deadline to July 31, 2003. In lieu of funding this project we disposed of this subsidiary as noted below.

On May 29, 2003, GL Energy and Exploration Inc. ("GEEX") and Wellstar International Inc., a Nevada corporation ("Wellstar"), entered into an asset purchase agreement ("Purchase Agreement") to acquire all of Wellstar's 60% interest in two mineral claims located in Chile, known as LaBarca Deposit and Duna Choapa Norte Deposit (together referred to as the "Claims") and certain Joint Venture Agreements between SEM Mining Corporation S.A. and Wellstar ("JVA's"). The rights include the interest to market and benefit from certain specified heavy metal minerals that may be obtained from the Claims, including gold, rutile, zircon, magnetite, ilmenite, nickel and rare earth oxides. There is no assurance that these Claims will have enough mineralizations that will be commercially viable or be economically recoverable. The obligations under the JVA's include having to raise capital to fund the Pilot Plant. This funding obligation, which may be subject to schedule adjustments, includes US$2,000,000 for the pilot plant which was due on or before January 22, 2004 and US$8,000,000 for the production plant on or before January 22, 2004.

As of the date of this filing, GL Energy and SEM Mining Corporation S.A. ("SEM") are in the process of finalizing an extension of dates relative to the Joint Venture Agreements, which expired January 22, 2004. The amendments will reflect the timing of access to funds anticipated from a Regulation S Offering and a banking facility (See "Plan of Operation").

We can give no assurance that we will be able to locate adequate financing arrangements to be able to fund our commitments.

3

History of the Claims

The personnel of SEM Mining originally started preliminary evaluation work on the La Barca-Choapa Norte heavy mineral sands project in late 1995 as part of a larger series of heavy mineral sands deposits. In 1996 and 1997 the La Barca-Choapa Norte project in conjunction with the adjoining Choapa Sur project were extensively explored and tested which involved drill sampling, mapping and bench testing with environmentally friendly and modern gravity and electro-magnetic systems to recover the heavy mineral components rutile (titanium), ilemenite, magnetite, olivine, rare earth oxides, and fine free gold. In 1997 the company conducted tests to develop marketable products utilizing the light mineral components of the deposits.

In December 2003 SEM's General Manager and Director informed the company that they have completed all the legal requirements and the required land survey of all the claims bringing the property from the status of Claims to Surveyed Claims so now SEM has legal title to the Property. SEM's Chief Metallurgist has completed the wheeled metal frame of the Pilot Plant and has begun the process of packing the laboratory equipment for shipping to Chile.

SEM has started the process of acquiring the mining permits and has completed the EIS Environmental Impact Statement. The Environmental Impact Statement complied fully with the requirements therefore the permitting process was considerably shortened since this report is sufficient for both the local and federal governments and only one permit for both the Pilot and Production plants will be required. GL Energy & Exploration and SEM are now positioned for a rapid start on preparing the prototype plant once we locate adequate financing. GL Energy & Exploration is the financial partner having 60% interest in the properties while SEM is the operating company having 40% interest.

Based on SEM's exploration activities to date we believe the primary mineral associated with the deposits located in Chile, South America is rutile. The world's output for rutile, both synthetic and natural is approximately 550,000 metric tons per year and 1,000,000 metric tons of zircon per year. The world's consumption of rutile increases at a rate of 2 1/2% to 3% annually and has been in short supply for at least a decade since no large supply of natural rutile has been found or developed, the supply of rutile (TiO_2) mainly coming from ilmenite that is synthesized to rutile (titanium dioxide) which is a very expensive process.

The GEEX/SEM project should produce high quality rutile and zircon and the rutile does not need to go through this expensive process. We believe the production from our project will not affect the price of rutile since it has been in short supply for over a decade and the cost of synthesizing ilmenite to rutile has been going up due to the increasing cost of energy. A new and cheaper method of producing titanium metal from rutile has recently been developed, which will impact on the supply of rutile. Titanium metal being light, strong, and non-reactive has found increasing usage particularly in the automotive and aviation industries. This new refining process is called the FFC-Cambridge process. This process involves converting rutile (TiO_2, titanium oxide) to Titanium metal using electrolysis.

We can give no assurance that the exploration activities associated with this project will produce commercially viable levels of minerals or be economically recoverable.

Consideration for JVA's

The consideration for the Claims and JVA's was 20,000,000 shares of the GEEX's common stock, $.001 par value. These shares were issued to two individuals, at the direction of Wellstar, and are as follows: Donald Byers - 17,500,000 and Arthur Lang - 2,500,000. In addition, the Purchase Agreement provided that the current directors and officers would resign effective upon fulfilling the Securities and Exchange Commission notice requirements pursuant to the proxy rules and Schedule 14C, at which time Messrs. Byers and Lang would become directors and Mr. Byers would be appointed the president and Mr. Lang would be appointed the secretary and treasurer of GEEX. The notice requirements have been fulfilled and Mr. Byers and Mr. Lang are now the company's executive officers.

As a result of the issuance of the 20,000,000 shares of Common Stock and the change of the Board of Directors and officers, there has been a change of control of GEEX.

4

In connection with the acquisition, we transferred our wholly owned subsidiary, GL Gold, Inc., to a debt holder in partial repayment of an outstanding loan. All obligations of GL Gold as previously noted were transferred with the subsidiary. The transfer will also permit GEEX to focus its efforts on the Claims and fulfilling its obligations under the JVA's.

Competition

We expect to compete with numerous mining and exploration companies, many of which have far greater capital resources than we have. We can give no assurance that we will be able to be competitive in this market.

Government Regulations

We will be subject to regulation by foreign governmental authorities. The most significant of these authorities will be the various departments of the Chilean government that regulate the mining industry for permits and environmental requirements. If we fail to comply with any of the laws established by these agencies, we could be subject to possible fines, many of which could be considerable in amount.

ITEM 2. DESCRIPTION OF PROPERTY

Our executive office is located at #300-1497 Marine Drive, West Vancouver, B.C., Canada. At this location, we share an undesignated amount of space with another entity. Currently, our rent is included in the management agreement with our president.

We also have a 60% interest in two mineral claims located in Chile, known as LaBarca Deposit and Duna Choapa Norte Deposit (together referred to as the "Claims") and certain Joint Venture Agreements between SEM Mining Corporation S.A. and Wellstar ("JVA's").

Employees

We currently have two part-time employees, our president and secretary/treasurer. We expect to hire consultants and independent contractors who specialize in mining operations during the early stages of implementing our business plan.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any material legal proceedings, and no material legal proceedings have been threatened by or, to the best of our knowledge, against us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET FOR COMMON STOCK

The common stock is traded in the over-the-counter market and quoted on the OTC EBB under the symbol "GEEX" and quoted in the pink sheets published by the National Quotations Bureau. In January 2004 the common stock also became listed on the Berlin Stock Exchange under the symbol: "GLF.BER".

The trading volume in the Common Stock has been and is extremely limited. The limited nature of the trading market can create the potential for significant changes in the trading price for the Common Stock as a result of relatively minor changes in the supply and demand for Common Stock and perhaps without regard to our business activities. Because of the lack of specific transaction information and our belief that quotations are particularly sensitive to actual or anticipated volume of supply and demand, we do not believe that such quotations are reliable indicators of a trading market for the Common Stock.

The market price of our common stock may be subject to significant fluctuations in response to numerous factors, including: variations in our annual or quarterly financial results or those of our competitors; conditions in the economy in general; announcements of key developments by competitors; loss of key personnel; unfavorable publicity affecting our industry or us; adverse legal events affecting us; and sales of our common stock by existing stockholders.

Subject to the above limitations, we believe that during the eight fiscal quarters preceding the date of this filing, the high and low sales prices for the Common Stock during each quarter are as set forth in the table below (such prices are without retail mark-up, mark-down, or commissions). The sales prices were obtained from the stock sales history charts from the on-line stock quote site quicken.com. that is provided by S&P Comstock Historical information supplied by Iverson Financial Systems.

QUARTER ENDED	HIGH	LOW
December 31, 2003	.29	.11

September 30, 2003	.75	.18
June 30, 2003	.90	.15
March 31, 2003	.09	.02
December 31, 2002	.35	.08
September 30, 2002	1.75	.14
June 30, 2002	5.00	.10
March 31, 2002	2.25	1.50

As of December 31, 2003, there were approximately 1,190 holders of record of our Common Stock including stock held in street name.

We have not paid any dividends to date. We can make no assurance that our proposed operations will result in sufficient revenues to enable profitable operations or to generate positive cash flow. For the foreseeable future, we anticipate that we will use any funds available to finance the growth of our operations and that we will not pay cash dividends to stockholders. The payment of dividends, if any, in the future is within the discretion of the Board of Directors and will depend on our earnings, capital requirements, restrictions imposed by lenders and financial condition and other relevant factors.

RECENT SALES OF UNREGISTERED SECURITIES

None

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Forward Looking Statements

From time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. Such forward-looking statements may be included in, but not limited to, press releases, oral statements made with the approval of an authorized executive officer or in various filings made by us with the Securities and Exchange Commission. Words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project or projected", or similar expressions are intended to identify "forward-looking statements". Such statements are qualified in their entirety by reference to and are accompanied by the discussion of certain important factors that could cause actual results to differ materially from such forward-looking statements.

Management is currently unaware of any trends or conditions other than those mentioned in this management's discussion and analysis that could have a material adverse effect on the Company's consolidated financial position, future results of operations, or liquidity. However, investors should also be aware of factors that could have a negative impact on the Company's prospects and the consistency of progress in the areas of revenue generation, liquidity, and generation of capital resources. These include: (i) variations in revenue, (ii) possible inability to attract investors for its equity securities or otherwise raise adequate funds from any source should the Company seek to do so, (iii) increased governmental regulation, (iv) increased competition, (v) unfavorable outcomes to litigation involving the Company or to which the Company may become a party in the future and, (vi) a very competitive and rapidly changing operating environment.

The risks identified here are not all inclusive. New risk factors emerge from time to time and it is not possible for management to predict all of such risk factors, nor can it assess the impact of all such risk factors on the Company's business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Actual results may differ materially from historical earnings and those presently anticipated or projected. We have no obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect anticipated events or circumstances occurring after the date of such statements.

The financial information set forth in the following discussion should be read with the financial statements of GL Energy and Exploration included elsewhere herein.

Plan of Operation

Our current plan of operation is to locate adequate capital in order to fund our obligations under the joint venture agreements. To that end we are currently negotiating an extension of time with our joint venture partner as to the funding requirements. We anticipate obtaining funding from the sale of our common stock and loans from financial institutions.

In January 2004, we concluded a best efforts agency agreement with an attorney in Munich, Germany to sell a maximum of 10,000,000 common shares of our stock at $0.20 net per share to the Company under a Regulation S Offering Memorandum.

In addition, we are negotiating a $20,000,000 loan through Webster Financial Resources Ltd. in order to facilitate the construction of both the Pilot and Production Plants. The loan would have a 7 year term with interest accruing at the prime rate. If we are successful in receiving this funding we have a contingent liability totaling $521,000 that will be due to Wellstar International Inc. for consulting services rendered, the asset acquisition agreement in Chile and assistance in locating the funding.

7

If the above funding occurs, we anticipate utilizing the capital for the following:

Budgeted estimates for the LaBarca Deposit and Duna Choapa Norte Deposit
(Land leasing of 19 square kilometers)

Buildings, infrastructure, office, maintenance shops, storage	$ 1,000,000
Equipment	450,000
Pilot plant	2,300,000
Production plant	9,000,000
Site development, land clearing, power, hydro, water study, sewage and landscaping	190,000
Engineers	160,000
Surveyors	28,000
Legal expenses	22,000
Environmental impact studies	212,000
Development fees	28,000
On site management	350,000
Marketing costs (international for 2 years)	2,000,000
Legal and bank fees	390,000
Inspection fees	350,000

Consultant fees	800,000
Reimbursement of pre-operational costs	1,000,000
Build facilities for mining employees	1,720,000
Total	$20,000,000

We can give no assurance that we will be successful in locating or obtaining any of the funding that will be needed in order to implement our plan of operations.

Financial Condition and Changes in Financial Condition

Overall Operating Results:

We had no revenues for the year ended December 31, 2003 or since our inception.

We incurred $1,976,141 in operating expenses for the year ended December 31, 2003. Of these expenses $1,896,600 were for consulting services rendered for public and shareholder relations as well as various other corporate identity programs. These services were non-cash related and were paid through the issuance of 8,490,000 shares of common stock that was previously registered through the company's 2003 Equity Performance Plan. We also incurred $41,460 in legal and accounting fees. These fees were incurred for SEC compliance requirements and legal expenses associated with the acquisition of the joint venture agreements. We entered into a management agreement with our president for $8,000 per month in lieu of wages. We incurred $56,000 in management fees under this agreement for the year ended December 31, 2003.

During the current year we recognized other income of $34,464 for the forgiveness of debt due to Platoro West. As previously noted we cancelled that agreement in August 2003 and transferred all our rights to Platoro in lieu of the amounts owed them. In addition, we recognized a gain on our disposal of GL Gold in the amount of $18,261.

Our expenses for the year ended December 31, 2002 were $82,887 and were incurred in connection with the prior business operations of the company. These expenses were primarily for legal and accounting fees and mineral rights under the agreement with Platoro.

Liquidity and Capital Resources:

Since our inception we have had minimum working capital to fund our operations. In order to fund our operations we have relied on the sale of our common stock and loans from shareholders.

To fund our mining exploration operations to date, we sold shares of our common stock. These sales were comprised of 2,364,624 shares of our common stock registered in 2001 and our Regulation S offering of 1,000,000 shares in 2002, which also had attached warrants to purchase 2,000,000 shares of common stock. These warrants expired on July 31, 2003. All shares and warrants are on a pre-stock split basis.

We have also relied on loans from shareholders to fund operations. In conjunction with the asset acquisition agreement we transferred GL Gold to shareholders as repayment on loans that they had made to the company. In addition, Donald Byers, our President, Chairman of the Board and majority shareholder and two other shareholders have loaned the company $65,225 as of

December 31, 2003 to fund the remaining amounts due under the transfer of GL Gold and to fund our business operations. These loans do not bear interest and will be repaid upon the company receiving funding.

We currently have a working capital deficit and only a minimum of operating cash with which we can fund our future operations. We must obtain adequate funding in order to fulfill our obligations under the asset acquisition agreement for the completion of the pilot and production plants. If we do not receive adequate funding, we will have to discontinue or substantially scale back our operations.

We intend to seek either debt or equity capital or both. As of the date of this filing we have no commitments for funding from any unrelated parties or any other agreements that will provide us with adequate working capital. We cannot give any assurance that we will locate any funding or enter into any agreements that will provide the required operating capital to fund our operations. In addition, we may also consider strategic alliances and mergers and acquisitions as a means to pursue our business plan or otherwise fund the company.

New Accounting Pronouncements

In November 2002, the FASB issued Financial Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 sets forth the disclosures required to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The adoption of FIN 45 is not expected to have a material effect on the Company's financial position or results of its operations.

In December 2002, the FASB issued Statements of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123, This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The adoption of SFAS 148 is not expected to have a material effect on the Company's financial position or results of its operations.

In May 2003 the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", which requires that certain financial instruments be presented as liabilities that were previously presented as equity or as temporary equity. Such instruments include mandatory redeemable preferred and common stock, and certain options and warrants. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and is generally effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 is not expected to have a material effect on the Company's financial position or results of its operations.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

10

INDEX TO FINANCIAL STATEMENTS

TABLE OF CONTENTS

11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
GL Energy and Exploration, Inc.
(A Development Stage Company)
Toronto, Ontario, Canada

We have audited the accompanying balance sheet of GL Energy and Exploration, Inc. as of December 31, 2003, and the related statements of operations, stockholders' deficit, and cash flows for the two years then ended and for the period from October 7, 1998 (Inception) through December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GL Energy and Exploration, Inc. as of December 31, 2003, and the results of its operations and its cash flows for the two years then ended and for the period from October 7, 1998 (Inception) through December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Malone & Bailey, PLLC
Houston, Texas
www.malone-bailey.com

January 31, 2004

GL ENERGY AND EXPLORATION, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET

	December 31, 2003
ASSETS	
Current assets	
Cash	$ 79
Investment in joint venture	20,000
Total current assets	$ 20,079
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	$ 24,290
Due to shareholders	65,225
Total current liabilities	89,515
Minority Interest	306
Commitments	
STOCKHOLDERS' DEFICIT:	
Common stock, $.001 par value, 100,000,000 shares authorized, 29,573,641 shares issued	

and outstanding	29,573
Additional paid in capital	2,051,467
Deficit accumulated during the development stage	(2,150,782)
Total Stockholders' Deficit	(69,742)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 20,079

See accompanying summary of accounting policies
and notes to financialstatements

GL ENERGY AND EXPLORATION, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS

	Year Ended December 31, 2003	Year Ended December 31, 2002	Inception through December 31, 2003
Mineral rights	$ 9,832	$ 18,454	$ 85,830
Legal and accounting	41,460	29,415	136,279
General and administrative	1,924,849	35,018	1,925,942
Total Expenses	1,976,141	82,887	2,148,051
Minority interest in losses of subsidiary	190	(60)	56
Loss from operations	(1,976,331)	(82,827)	(2,148,107)
Interest expense	(2,675)	--	(2,675)
Forgiveness of debt	34,464	--	--
Gain on disposal of subsidiary	18,261	--	--
Net Loss	$ (1,926,281)	$ (82,827)	$ (2,150,782)
Net loss per share:			
Basic and diluted	$ (0.12)	$ (0.08)	
Weighted average shares outstanding:			
Basic and diluted	15,919,767	1,050,233	

See accompanying summary of accounting policies
and notes to financial statements.

GL ENERGY AND EXPLORATION, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
Period from October 7, 1998 (Inception) through December 31, 2003

	Common stock		Additional paid in capital	Deficit accumulat during th developme stage
	Shares	Amount		
Issuance of common stock to founders for $200	286,427	$ 286	$ (86)	$ --
Fair value of services performed	--	--	300	--
Net loss	--	--	--	(1,7
Balance, December 31, 1998	286,427	286	214	(1,7
Fair value of services performed	--	--	1,200	--
Net loss	--	--	--	(29,7
Balance, December 31, 1999	286,427	286	1,414	(31,5
Issuance of common stock under a service agreement	2,386	2	148	--
Issuance of common stock to directors for services	63,636	64	3,936	--
Fair value of services performed	--	--	1,200	--
Conversion of amounts due to shareholder to common stock	492,234	492	30,448	--
Net loss	--	--	--	(65,0
Balance, December 31, 2000	844,683	844	37,146	(96,5
Issuance of common stock under a service agreement	1,591	2	98	--
Fair value of service performed	--	--	1,200	--
Sale of common stock	188,135	188	73,712	--
Common shares received and retired for minority interest in GL Tugsten, Inc.	(3,977)	(4)	(246)	--
Net loss	--	--	--	(45,1
Balance, December 31, 2001	1,030,432	1,030	111,910	(141,6
Sale of common stock	45,455	45	49,955	--
Fair value of services performed	7,727	8	1,492	--
Net loss	--	--	--	(82,8
Balance, December 31, 2002	1,083,614	1,083	163,357	(224,5
Issuance of common stock for services	8,490,000	8,490	1,888,110	--
Issuance of common stock for investment in joint venture	20,000,000	20,000	--	--
Adjustment for fractional shares in the reverse stock split	27	--	--	--
Net loss	--	--	--	(1,926,2
Balance, December 31, 2003	29,573,641	$ 29,573	$ 2,051,467	$(2,150,7

See accompanying summary of accounting policies
and notes to financial statements.

F-4

GL ENERGY AND EXPLORATION, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2003	Year Ended December 31, 2002	Inception through December 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (1,926,281)	$ (82,827)	$ (2,150,782
Adjustments to reconcile net deficit to cash used by operation activities:			
Common stock issued for services	1,896,600	--	1,896,600
Fair value of services received	--	1,500	9,400
Minority interest	190	(60)	306
Net changes in:			
Prepaid expenses	200	(200)	--
Accounts payable	24,046	(1,703)	24,290
Accrued obligation to Platoro West, Inc.	(27,132)	8,709	--
NET CASH USED IN OPERATING ACTIVITIES	(32,377)	(74,581)	(220,186
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the sale of common stock	--	50,000	124,100
Proceeds from notes payable - shareholders	--	--	30,940
Due to related parties	(2,000)	(36)	65,225
CASH FLOWS FROM FINANCING ACTIVITIES	(2,000)	49,964	220,265
NET CHANGE IN CASH	(34,377)	(24,617)	79
Cash, beginning of period	34,456	59,073	--
Cash, end of period	$ 79	$ 34,456	$ 79
Supplemental Non-cash Transactions:			
Issuance of common stock for assets	$ 20,000	$ --	$ 20,000
Conversion of notes payable - shareholders	$ --	$ --	$ 30,940

See accompanying summary of accounting policies
and notes to financial statements.

F-5

GL ENERGY AND EXPLORATION, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Nature of business. GL Energy and Exploration, Inc. ("GL Energy") is an exploration stage company with no current business operations. GL Energy was incorporated in the state of Delaware on October 7, 1998 under the name LRS Group Incorporated. On October 15, 1998, the name of the corporation was changed to LRS Capital, Inc. On October 10, 2001, the company changed its name to GL Energy and Exploration, Inc. from LRS Capital, Inc. GL Energy has acquired certain mining claims.

Principles of Consolidation

The consolidated financial statements include the accounts of GL Energy and its 99.3% owned subsidiary GL Tungsten, Inc. ("GL Tungsten"). All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid financial instruments with purchased maturities of three months or less.

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Basic and Diluted Loss Per Share

Basic and diluted loss per shares computed using the weighted average number of shares common shares outstanding during the period.

Impairment of Assets

Management reviews assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management assesses impairment by comparing the carrying amount to individual cash flows. If deemed impaired, measurement and recording of an impairment loss is based on the fair value of the assets.

Recent Accounting Pronouncements

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

NOTE 2 - INCOME TAXES

For the year ended December 31, 2003 and 2002, GL Energy has incurred net losses and, therefore, has no tax liability. The net deferred tax asset generated by the loss carry-forward has been fully reserved. The cumulative net operating loss carry-forward is approximately $260,000 at December 31, 2003, and will expire in the years 2022 through 2023.

Deferred income taxes consist of the following at March 31:

	2003	2002
Long-term:		
Deferred tax assets	$ 39,000	$ 33,750
Valuation allowance	(39,000)	(33,750)
	$ -	$ -

NOTE 3 - RELATED PARTY TRANSACTIONS

GL Energy had outstanding loans due from shareholders of $65,225 and $67,225 at December 31, 2003 and 2002, respectively.

In June 2003, GL Energy issued 20,000,000 shares of common stock, for an investment in a mining claim in Chile. These shares were issued to two individuals, as follows: Donald Byers - 17,500,000 and Arthur Lang - 2,500,000. In addition, the Purchase Agreement provided that the current directors and officers would resign effective upon fulfilling the Securities and Exchange Commission notice requirements pursuant to the proxy rules and Schedule 14C, at which time Messrs. Byers and Lang would become directors and Mr. Byers would be appointed the president and Mr. Lang would be appointed the secretary and treasurer of GL Energy. The common shares were valued at the historical basis of Mr. Byers and Mr. Lang.

In June 2003, GL Energy entered into a management agreement with our President and Chairman of the Board for $8,000 per month in lieu of wages through May 1, 2004. The agreement also includes providing office space for the GL Energy in lieu of rent. These management fees will be accrued and will not be paid until GL Energy receives adequate funding.

NOTE 4 - COMMON STOCK

During the year ending December 31, 2003 GL Energy issued 8,490,000 shares of stock for services valued at $1,896,600.

In May 2003, GL Energy authorized a 1 for 22 reverse stock split changing the outstanding common shares from 23,839,506 to 1,083,641. The reverse stock split has been applied retroactively to all prior periods presented.

In July 2002, GL Energy sold 45,455 shares of its common stock for net proceeds of $50,000.

In October 2001, GL Energy exchanged 60,000 shares of Tungsten for 87,500 shares of its common stock. The 87,500 shares were immediately retired.

In August 2000, GL Energy sold 188,135 shares of its common stock for net proceeds of $73,900.

In April 2001, GL Energy issued 1,591 common shares for services which were valued at $100.

In June 2000, GL Energy converted $30,940 of amounts due to related parties by issuing 492,234 common shares.

In June 2000, GL Energy issued 63,636 common shares to three directors valued at $4,000 for compensation and services from the time of their appointment in 2000 through June 30, 2000.

In May 2000, GL Energy issued 52,500 common shares for services which were valued at $150, the equivalent price paid on June 6, 2000 for the conversion of due to related party balances into common shares. Refer to Note 6 for a full discussion of the services.

In October 1998, GL Energy issued 286,427 common shares to its founders for proceeds of $200.

NOTE 5 - FORGIVENESS OF DEBT

GL Energy had an agreement with Platoro West Incorporated, a mineral exploration company, under which that company would locate, stake out and record mining claims that the mineral exploration company believed to contain high concentrations of tungsten. The mineral exploration company staked 30 unpatented claims for GL Energy pursuant to this contract. If GL Energy defaulted under the contract, the remedy specified in the agreement called for GL Energy to convey to Platoro West all of its right title and interest in the mining claims and to all the mineral resources located therein. On August 7, 2003 GL Energy notified Platoro West that it was terminating this agreement and forfeited all its rights and interest in the applicable mining claims. GL Energy recognized other income of $34,464 for the forgiveness of debt due to Platoro West upon cancellation of the agreement and the transfer of all rights to the claims.

NOTE 6 - EQUITY PERFORMANCE PLAN

In June 2003, the Board of Directors and majority stockholders adopted a plan under which 10,000,000 shares of the GL Energy's common stock have been reserved for issuance. Under this plan, as of December 31, 2003, a total of 8,490,000 common shares have been issued to various consultants.

NOTE 7 - SUBSEQUENT EVENT

In January 2004, GL Energy issued 1,500,000 shares of stock in trust in connection with a 10,000,000 share Registration S offering.

F-8

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 8A. CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in company reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer (the "Certifying Officers"), as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, the Certifying Officers carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2003. Their evaluation was carried out with the participation of other members of the Company's management. Based upon their evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures were effective.

The Company's internal control over financial reporting is a process designed by, or under the supervision of, the Certifying Officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Company's financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with the authorization of the Company's Board of Directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements. There has been no change in the Company's internal control over financial reporting that occurred in the fiscal year ended December 31, 2003, that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The following table sets forth information concerning the directors and executive officers of GL Energy and Exploration and their ages and positions. Each director holds office until the next annual stockholders' meeting and thereafter until the individual's successor is elected and qualified. Officers serve at the pleasure of the board of directors.

NAME	AGE	POSITION
Donald Byers	69	President and Chairman
Arthur Lang	69	Secretary, Treasurer and Director
P.J. Santos	64	Director

Donald Byers is the president and sole owner of Byers & Associates, a firm that is a financial and business consulting firm located in Vancouver, British Columbia, with clients among privately and publicly traded corporations. He has held these positions since 1985. Mr. Byers is the sole director of Wellstar International Inc.

Arthur Lang is the sole owner of a private real estate development company operating in Penticton, B.C. since 1990.

P.J. Santos, P. Eng. was appointed to the Board of Directors of the Company. Mr. Santos is President and CEO of SEM Mining Corporation S.A. ("SEM"). SEM retains 40% interest (the Operator) together with GEEX's 60% interest in 2 Joint Venture Agreements.

During the last five years, no officers or directors have been involved in any legal proceedings, bankruptcy proceedings, criminal proceedings or violated any federal or state securities or commodities laws or engaged in any activity that would limit their involvement in any type of business, securities or banking activities.

No person who, at any time during our past fiscal year, was a director, officer, or beneficial owner of more than 10% of any class of equity securities failed to file, on a timely basis, any report required by Section 16(a) of the Exchange Act during the most recent fiscal year.

ITEM 10. EXECUTIVE COMPENSATION

We have not paid any cash compensation or other benefits to our executive officers since our inception. Cash compensation amounts will be determined in the future based on the services to be rendered and time devoted to our business and the availability of funds. Other elements of compensation, if any, will be determined at that time or at other times in the future.

Until we have sufficient capital or revenues, our executive officers will not be provided cash remuneration. At such time as we are able to provide a regular salary, it is our intention that our officers will become employed pursuant to executive employment agreements, at an annual salary to be determined based on their then levels of time devoted to GL Energy and Exploration and the scope of their responsibilities. Until we enter into an employment agreement, we may use shares of common stock to compensate our officers. In addition, we may use common stock to compensate others for services to GL Energy and Exploration.

COMPENSATION OF DIRECTORS

Persons who are directors and employees will not be additionally compensated in cash for their services as a director. There is no plan in place except for the 2003 Performance Equity Plan for compensation of persons who are directors who are not employees, but it is expected that in the future we will create a remuneration and reimbursement plan.

OTHER COMPENSATION ARRANGEMENTS

In 2003, a majority of the stockholders of the company approved a performance equity plan for 10,000,000 shares (on a post-stock split basis) of Common Stock ("2003 Performance Equity Plan"). The rights of the common stock were not changed. We intend to issue the shares of common stock from time to time as determined by the board of directors to directors, employees, consultants and others. The board of directors of the company believes the 2003 Plan will provide flexibility in structuring compensation arrangements and provide an equity incentive for employees and others who are awarded shares under the 2003 Plan. The shares under an award may be issued at less than market price at the discretion of the board of directors. None of the awards as provided under the 2003 Plan are allocated to any particular person or class of persons among those eligible to receive awards. As of December 31, 2003 we have issued a total of 8,490,000 shares of common stock to various consultants under the Plan.

21

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of December 31, 2003, the name and shareholdings of each person who owns of record, or was known by us to own beneficially,* 5% or more of the shares of the common stock currently issued and outstanding; the name and shareholdings, including options to acquire the common stock, of each director; and the shareholdings of all executive officers and directors as a group.

NAME OF PERSON OR GROUP	NUMBER OF SHARES OWNED *	PERCENTAGE OF OWNERSHIP
Donald Byers **	16,500,000	55.8%
Arthur Lang ***	2,500,000	8.5%
P.J. Santos ****	1,000,000	3.4%
Directors as a group (three persons)	20,000,000	67.6%

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* Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock issuable upon the exercise of options or warrants currently exercisable or convertible within 60 days, are deemed outstanding for computing the

percentage ownership of the person holding such options or warrants but are not deemed outstanding for computing the percentage ownership of any other person.

** Donald Byers is the company's president and chairman of the board.

*** Arthur Lang is the company's secretary, treasurer and a director.

**** P. J. Santos is a company director.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

GL Energy had outstanding loans due from shareholders of $65,225 at December 31, 2003.

In June 2003, GL Energy issued 20,000,000 shares of common stock, for an investment in a mining claim in Chile. These shares were issued to two individuals, as follows: Donald Byers - 17,500,000 and Arthur Lang - 2,500,000. Mr. Byers is the president and chairman of the board and Mr. Lang is the secretary and treasurer and director of GL Energy.

In June 2003, GL Energy entered into a management agreement with our president and chairman of the board for $8,000 per month in lieu of wages through May 1, 2004. The agreement also includes providing office space for GL Energy in lieu of rent. These management fees will be accrued and will not be paid until GL Energy receives adequate funding.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

Exhibit Number	Name of Exhibit
3.1	Certificate of Amendment to the Certificate of Incorporation (1)
4.1	Form of 2003 Equity Performance Plan (1)
10.1	Form of Asset Acquisition Agreement, dated as of May 29, 2003 (2)
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002. (3)
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002. (3)
32.1	Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002. (3)

(1) Previously filed with Form DEF 14c (information statement) on May 5, 2003.

(2) Previously filed with the Form 8-K on June 13, 2003.

(3) Filed herewith.

b) Reports on Form 8-K

None

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The company paid audit and financial statement review fees totaling $2,400 and $4,500 for the years ended December 31, 2003 and 2002, respectively to Malone & Bailey, PLLC, our current independent accountants.

Audit-Related Fees

None

Tax Fees

The company paid $500 to Malone & Bailey, PLLC for preparing the company's Federal tax return for the year ended December 31, 2002.

All Other Fees

None

Audit Committee Policies & Procedures

The above services were approved by the company's Board of Directors. The company does not have a standing audit committee.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GL ENERGY AND EXPLORATION, INC.

(Registrant)

By: /s/ Donald Byers

Donald Byers, President and
Chairman of the Board (Principal

Executive Officer and Principal
Accounting Officer)

Date: March 8, 2004

25