

**GLASS EARTH LIMITED**

**Notice of Annual Meeting of Shareholders  
To be held on June 27th, 2007**

**Management Information Circular  
Dated May 29th, 2007**

**Audited Financial Statements  
For the period ended December 31, 2006**

**Management's Discussion and Analysis  
For the period ended December 31, 2006**

**Corporate Information**



**GLASS EARTH LIMITED**  
**Suite 500, 357 Bay Street**  
**Toronto, Ontario M5H 2T7**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an annual meeting of the shareholders of Glass Earth Limited (hereinafter called the "Company") will be held at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia on:

**Wednesday, the 27th day of June, 2007**

at the hour of 11:00 o'clock in the morning (Vancouver time) for the following purposes:

1. to receive the audited financial statements of the Company for the fiscal period ended December 31, 2006, together with the report of the Auditors thereon;
2. to appoint Auditors for the ensuing year and to authorize the Directors to fix their remuneration;
3. to determine the number of directors and to elect directors;
4. to consider and, if thought fit, to approve the Company's stock option plan, which makes a total of 10% of the issued and outstanding shares of the Company available for issuance thereunder, as described in the accompanying Management Information Circular dated May 29th, 2007.
5. to transact such further or other business as may properly come before the Meeting or any adjournment or adjournments thereof.

This notice is accompanied by a Form of Proxy, a Management Information Circular and the Audited Financial Statements of the Company for the fiscal period ended December 31, 2006. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy holder to attend and vote in his stead. If you are unable to attend the Meeting, or any adjournment thereof in person, please read the Notes accompanying the Form of Proxy enclosed herewith and then complete and return the Proxy within the time set out in the Notes so that as large a representation as possible may be had at the meeting. The enclosed Form of Proxy is solicited by Management but, as set out in the Notes, you may amend it if you so desire by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the Meeting.

DATED at Vancouver, British Columbia, this 29<sup>th</sup> day of May, 2007.

**BY ORDER OF THE BOARD**

(Signed) "Glenn Laing"

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Chief Executive Officer, President and Director



## GLASS EARTH LIMITED

Suite 500, 357 Bay Street  
Toronto, Ontario M5H 2T7

### MANAGEMENT INFORMATION CIRCULAR AS AT AND DATED MAY 29th, 2007

This Management Information Circular accompanies the Notice of the 2007 Annual Meeting of shareholders of Glass Earth Limited (hereinafter called the "Company"), and is furnished in connection with a solicitation of proxies for use at that Meeting and at any adjournment thereof.

#### Solicitation of Proxies

**THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF GLASS EARTH LIMITED OF PROXIES TO BE USED AT THE ANNUAL MEETING OF SHAREHOLDERS OF THE COMPANY AND ANY ADJOURNMENT THEREOF (THE "MEETING") TO BE HELD AT THE TIME AND PLACE AND FOR THE PURPOSES SET FORTH IN THE ENCLOSED NOTICE OF MEETING.** References in this management information circular to the "Meeting" include references to any adjournment thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally by regular officers or employees of the Company at nominal cost. The cost of solicitation by management will be borne directly by the Company.

#### Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors and/or officers of the Company. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO** either by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy. To be effective, proxies for the Meeting must be delivered by mail or fax to the transfer agent of the Company, Computershare Investor Services Inc., 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, B.C., Attention: Proxy Department (Fax: 604-661-9401) not later than 48 hours before the time of holding the Meeting. The Chairman of the Meeting will have the discretion to accept or reject proxies delivered up to the time of the Meeting.

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the shareholder or by his attorney authorized in writing, and deposited with Computershare Investor Services Inc. not later than 48 hours before the time of holding the Meeting, or with the Chairman of the Meeting on the day of the Meeting, or in any other manner permitted by law.

#### Voting of Proxies

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy **WILL BE VOTED FOR EACH OF THE MATTERS TO BE VOTED ON BY SHAREHOLDERS AS DESCRIBED IN THIS INFORMATION CIRCULAR OR WITHHELD FROM VOTING OR VOTED AGAINST IF SO INDICATED ON THE FORM OF PROXY. WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY TO BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, or other matters which may properly come before the Meeting. At the time of printing this information circular management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

## Non-Registered Holders

Only registered shareholders of the common shares of the Company (the "**Common Shares**") or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a holder who is not a registered holder (a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary with whom the Non-Registered Holder deals in respect of the Common Shares such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans (an "**Intermediary**"); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which the Intermediary is a participant). In accordance with the requirements of National Instrument 54-101, the Company will distribute copies of the Notice of Meeting, form of proxy and this information circular to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are then required to forward the materials to the appropriate Non-Registered Holders unless the Non-Registered Holder has waived the right to receive them. Generally, Non-Registered Holders who have not waived the right to receive materials will either:

- (a) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holders, but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holders when submitting the proxy. In this case, the Non-Registered Holders who wishes to submit a proxy should otherwise properly complete the form of proxy and **deposit it with the Company's transfer agent as provided above; or**
- (b) more typically, be given a voting instruction form **which is not signed by the Intermediary**, and which, when properly completed and signed by the Non-Registered Holders and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a "proxy authorization form") which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label containing a bar-code and other information. In order for the form of proxy to validly constitute a proxy authorization form, the Non-Registered Holders must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holders who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holders should strike out the names of the Management Proxy holders named in the form and insert the Non-Registered Holders' name in the blank space provided. **In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

## **Voting Securities and Principal Holders Thereof**

The authorized capital of the Company consists of an unlimited number of Common Shares. There is one class of shares only. As of the date hereof, the Company had issued and outstanding **129,902,633** Common Shares.

The Company shall make a list of all persons who are registered holders of Common Shares on May 25, 2007 (the "**Record Date**") and the number of Common Shares registered in the name of each person on that date. At an Annual Meeting of the Company, on a show of hands, every shareholder present in person and entitled to vote and every proxy holder duly appointed by a holder of a common share who would have been entitled to vote shall have one vote and on a poll, every shareholder present in person or represented by proxy and entitled to vote shall have one vote for each share registered in his name as it appears on the list except to the extent that such shareholder has transferred any of his shares after the Record Date and the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns the shares and demands, not later than ten days before the Meeting, that his name be included in the list. In such case the transferee is entitled to vote his Common Shares at the Meeting. The instrument of proxy, and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited either at the office of the Registrar and Transfer Agent of the Company, Computershare Investor Services Inc, 3<sup>rd</sup> Floor, 510 Burrard Street Vancouver, B.C. V6C 3B9, or at the Head Office of the Company at Suite 500, 357 Bay Street, Toronto, Ontario M5H 2T7 not less than 48 hours, Saturdays and holidays excepted, prior to the time of the holding of the Meeting or any adjournment thereof.

To the knowledge of the directors and senior officers of the Company, as of the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying more than 10% of the voting rights attached to the Common Shares other than:

<b>Name and Municipality of Residence</b>	<b>Number of Securities</b>	<b>Percentage of Shares</b>
St Andrew Goldfields Ltd Oakville, Ontario, Canada	65,154,999 common shares	50.2%

## **FINANCIAL STATEMENTS**

The audited financial statements of the Company for the period ended December 31, 2006 (the "Financial Statements"), together with the Auditors' Report thereon, will be presented to the shareholders at the Meeting. The Financial Statements, together with the Auditors' Report thereon, are being mailed to the shareholders of Record with this Management Information Circular.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **Election of Directors**

Management proposes that the number of directors for the Company be determined at seven (7) for the ensuing year, subject to such increases as may be permitted by the Articles of the Company. Each director will hold office until the next annual meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the articles of the Company.

At the Meeting, shareholders will be asked to elect seven directors (the "**Nominees**"). The following table provides the names of the Nominees and information

concerning such Nominees. **The persons named in the enclosed form of proxy intend to vote for the election of the Nominees.** Management does not contemplate that any of the Nominees will be unable to serve as a director. IN THE EVENT THAT PRIOR TO THE MEETING ANY VACANCIES OCCUR IN THE SLATE OF NOMINEES HEREIN LISTED, IT IS INTENDED THAT DISCRETIONARY AUTHORITY SHALL BE EXERCISED BY THE PERSONS NAMED IN THE PROXY AS NOMINEES TO VOTE THE SHARES REPRESENTED BY PROXY FOR THE ELECTION OF ANY OTHER PERSON OR PERSONS AS DIRECTORS.

Management nominees for the Board of Directors and information concerning them as furnished by the individual nominees is as follows:

NAME AND MUNICIPALITY OF RESIDENCE	DIRECTOR SINCE	NUMBER OF SHARES BENEFICIALLY OWNED, DIRECTLY OR INDIRECTLY, OR OVER WHICH CONTROL OR DIRECTION IS EXERCISED AT THE DATE OF THIS INFORMATION CIRCULAR <sup>(1)</sup>	PRINCIPAL OCCUPATION AND IF NOT AT PRESENT AN ELECTED DIRECTOR, OCCUPATION DURING THE PAST FIVE (5) YEARS
<b>Glenn Laing</b> Oakville, Ontario, Canada	January 27, 2004	Nil	President of Silverbridge Capital Inc.; President, Chief Executive Officer and a director of St. Andrew Goldfields Ltd., Jumbo Petroleum Corporation, Youandi Capital Corp and Glass Earth Limited
<b>Simon Henderson</b> Wellington, New Zealand	March 31, 2005	5,688,000	Vice President Exploration, Chief Operating Officer and a director of the Company
<b>Peter Liddle</b> <sup>(2)</sup> Auckland, New Zealand	March 31, 2005	2,500,000	Chief Financial Officer, Secretary and a director of the Company
<b>John Dow</b> <sup>(2) (3)</sup> Nelson, New Zealand	February 24, 2006	400,000	An independent director
<b>Richard Billingsley</b> <sup>(3)</sup> Vancouver, British Columbia, Canada	May 18, 2004	Nil	Self employed consultant and Explorationist; Director, Youandi Capital Corp, Luii Gold Limited
<b>Stephen Burns</b> <sup>(2)</sup> Toronto, Ontario, Canada	November 29, 2006	Nil	Director of St Andrew Goldfields Ltd, resigned as Vice-Chairman and Director of Avenue Financial Corp in November, 2006 and joined Intelligarde International Inc.
<b>Paul C. Jones</b> Golden Colorado, USA	November 29, 2006	Nil	Executive Vice-President of St Andrew Goldfields Ltd., President Sovereign Management Group Limited

(1) The information as to Common Shares owned or over which the Nominees exercise control or direction, not being within the knowledge of the Company, has been furnished by the respective Nominees.

(2) A member of the Audit Committee.

(3) A member of the Compensation Committee.



IF ANY OF THE FOREGOING NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.

### **Appointment of Auditors**

Unless such authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of the firm of KPMG, Chartered Accountants, as auditors of the Company until the close of the next annual meeting of shareholders and to authorize the directors to fix their remuneration. KPMG have been the Company's Auditors since November 29, 2006, prior to which SF Partnership LLP were the Company's Auditors since 2004.

### **Approval of Rolling Stock Option Plan**

At last year's Annual and Extraordinary General Meeting held on November 29, 2006, the shareholders approved a rolling stock option plan (the "Stock Option Plan"), authorizing the issuance of incentive stock options to directors, officers, employees and consultants up to an aggregate of 10% of the issued shares from time to time. The policies of the TSX Venture Exchange require the shareholders to approve the Stock Option Plan each year. There are currently 129,902,633 common shares issued and outstanding, therefore the current 10% threshold is 12,990,263 common shares under the Stock Option Plan.

Accordingly, the shareholders will be asked to pass the following ordinary resolution at the Meeting:

#### **"BE IT RESOLVED THAT:**

1. the Stock Option Plan be and is hereby ratified and approved; and
2. any director or officer of the Company is hereby authorized to execute (whether under the corporate seal of the Company or otherwise) and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable in connection with such ratification and approval, the execution of any such document or the doing of any such other act or thing by any director or officer of the Company being conclusive evidence of such determination."

Unless such authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the foregoing resolution.

## EXECUTIVE COMPENSATION

### Compensation of Executive Officers

For purposes of this Management Information Circular, "Named Executive Officers" means each individual who served as chief executive officer or acted in a similar capacity during the most recently completed fiscal period, each individual who served as chief financial officer or acted in a similar capacity during the most recently completed fiscal period, each of the Company's three most highly compensated executive officers (other than the chief executive officer and the chief financial officer) who were serving as executive officers at the end of the most recently completed fiscal period and whose total salary and bonus exceeds \$150,000. In addition, disclosure is also required for certain individuals whose total salary and bonus during the most recent fiscal period was \$150,000, whether or not they are an executive officer at the end of the most recently completed fiscal period.

During the fiscal period ended December 31, 2006, the Company had two Named Executive Officers: Glenn Laing, Chief Executive Officer, Peter Liddle, Chief Financial Officer.

The following table summarizes the compensation paid to the Named Executive Officers during the last three fiscal periods.

**SUMMARY COMPENSATION TABLE**

NAME AND PRINCIPAL POSITION	PERIOD/YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION	ALL OTHER COMPENSATION (\$)
		SALARY	BONUS		SHARES UNDER OPTION	
GLENN LAING Chief Executive Officer	Dec. 2006	\$18,136	Nil		Nil	Nil
	May 2006	\$33,000	Nil		1,740,000	Nil
	2005	\$5,500	Nil		Nil	Nil
PETER LIDDLE Chief Financial Officer	Dec. 2006	\$64,830	Nil		Nil	Nil
	May 2006	\$44,535	Nil		1,750,000	Nil
	2005	\$50,092	Nil		Nil	Nil

Note: Certain columns are omitted because there has been no compensation awarded to, earned by or paid to any of the named executives required to be reported in the above table.

### Long Term Incentive Plan (LTIP) Awards

The Company does not have a LTIP, pursuant to which cash or non-cash compensation intended to serve as an incentive for performance (whereby performance is measured by reference to financial performance or the price of the Company's securities), was paid or distributed to the Named Executive Officers during the most recently completed fiscal period ended December 31, 2006.

### Options and Stock Appreciation Rights (SARs)

The Company currently maintains a formal stock option plan, under which stock options may be granted for up to 10% of the Company's issued and outstanding common shares at the time of grant of stock options under the Stock Option Plan.

## OPTIONS/SARs GRANTED DURING THE MOST RECENTLY COMPLETED FISCAL PERIOD

Stock options granted to the Named Executive Officers during the fiscal period ended December 31, 2006 are provided in the table below:

Name	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal period <sup>(1)</sup>	Exercise or Base Price (Cdn\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (Cdn\$/Security)	Expiration Date
GLENN LAING	Nil	0%	-	-	-
PETER LIDDLE	Nil	0%	-	-	-

(1) Based on the total number of options granted to directors/officers/consultants of the Company pursuant to the stock option plan during the fiscal period ended December 31, 2006.

No Named Executive Officer exercised an option during the most recently completed financial period.

The Company did not reprice downward any options held by any Named Executive Officer during the most recently completed financial period.

### **Termination of Employment, Changes in Responsibilities and Employment Contracts**

The Company has employment contracts with the current Named Executive Officers, and other senior officers, as follows:

1. Effective April 1, 2005, the Company entered into an employment contract with Mr. Simon Henderson (Vice President, Exploration and Chief Operating Officer) pursuant to which Mr. Henderson is currently entitled to compensation of New Zealand Dollar 192,000 per annum. Mr. Henderson's employment contract provides that:
  - a. Up to 24 months base salary may be payable upon the occurrence of certain restructuring and "change of control" events, or should his employment be terminated without just cause; and
  - b. A success fee of 2% of the value of the Company's retained equity in any mine/resource put into production (up to a maximum of NZ\$2 million per discovery) may be payable.
2. Effective May 15, 2006, the Company entered into an employment contract with Mr. Peter Liddle (Chief Financial Officer and Secretary) pursuant to which Mr. Liddle is entitled to compensation of New Zealand Dollar 150,000 per annum. Mr. Liddle's employment contract provides that up to 12 months base salary may be payable upon the occurrence of certain restructuring and "change of control" events, or should his employment be terminated without just cause.

Other management services for the Company are not, to any material degree, performed by persons other than the senior officers of the Company.

No pension plan or retirement benefit plans have been instituted by the Company and none are proposed at this time.

## **Composition of Compensation Committee**

### **Report on Executive Compensation**

Although only in its third fiscal period since its restructuring, the Company attempts to apply a consistent compensation philosophy to all employees, including its executive officers. Individual performance is measured against development objectives and the degree to which teamwork and the Company's interests are promoted. The Company attempts to achieve a balance between the compensation paid to a particular individual and the compensation paid to other employees and executive officers having similar levels of responsibility within the Company. The Company also attempts to compare its compensation for its executive officers and employees with what similar companies in the market place are paying for similar services. Due to the early stage of the Company's development programs, the flexibility to quickly increase or decrease appropriate human resources is seen as a critical element. The Company's compensation system consists of two components: cash and stock options.

Pursuant to the Company's stock option plan (the "Plan"), directors, officers and employees of the Company and other persons who provide ongoing management or consulting services to the Company are eligible to be granted by the Board or the Compensation Committee, options to acquire Common Shares. The Plan is intended to provide eligible persons with an opportunity to participate in the growth and development of the Company by providing such persons with the opportunity to acquire a proprietary interest in the Company. Options are granted in recognition of individual services and to encourage participants to increase their efforts to make the Company more successful. Options are granted at an exercise price equal to or above the prevailing market price of the Common Shares at the time of grant. The maximum aggregate number of shares that may be issued and reserved for issuance under the Plan, when combined with any other share compensation arrangement of the Company, shall not exceed 10% of the Company's issued and outstanding Common Shares at the date of such share issuance. The existing number of outstanding options held by an individual is also considered when a new grant of options is made. Upon exercise of an option, the Common Shares thereby purchased must be paid for in full. The Company does not provide financial assistance in connection with the exercise of options.

The Company is focused on the implementation of improved financial reporting and corporate governance policies and procedures. The Compensation Committee will include these factors together with other relevant objectives and information in its evaluations.

Presented by the Compensation Committee:

**John Dow**  
**Richard Billingsley**

## **Compensation of Directors**

Directors are not paid any fees in their capacity as directors of the Company. Directors are entitled to participate in the Company's stock option plan. The stock option plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term. Individual grants are determined by an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Company. Directors were not granted any options during the fiscal period ended December 31, 2006.

### *Other Arrangements*

None of the directors of the Company were compensated in their capacity as a director by the Company during the fiscal period ended December 31, 2006 pursuant to any other arrangement or in lieu of any standard compensation arrangement except for:

- a) During the current period, \$7,000 was paid to non-executive director Mr. R Billingsley for additional duties of a technical nature (twelve months ended May 31, 2006: Nil).
- b) During the current period, \$7,630 was paid to non-executive director Mr. J. Dow for additional duties undertaken by him in relation to the fund raising in New Zealand and the subsequent listing of the Company's shares on the New Zealand Exchange's Alternative Exchange (NZAX) (twelve months ended May 31, 2006: Nil).

### **Securities Authorized for Issuance Under Equity Compensation Plans**

The table below sets out the outstanding options under the Company's existing Stock Option Plan under which common shares of the Company are authorized for issuance as of the end of the Company's most recently completed fiscal period.

	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available under equity compensation plans (excluding securities reflected in column (a))</b>
<b>Plan Category</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders	11,140,000	0.16	1,850,263
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>TOTAL</b>	11,140,000	0.16	1,850,263

### **Indebtedness of Directors and Executive Officers**

None of the directors or executive officers of the Company or any of their associates were indebted to the Company during the fiscal period ended December 31, 2006, including under any securities purchase or other program, or is currently indebted to the Company.

### **Interest of Informed Persons in Material Transactions**

No Insider of the Company, no proposed nominee for election as a director of the Company and no associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any material transaction involving the Company since the commencement of the Company's last financial period or in any proposed transaction, which, in either case, has materially affected or will materially affect the Company or any of its subsidiaries other than as disclosed herein.

### **Interest of Persons in Matters to be Acted Upon**

None of the directors or senior officers of the Company, no management nominee for election as a director of the Company, none of the persons who have been directors or senior officers of the Company since the commencement of the Company's last completed fiscal period and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than as disclosed under the heading "Particulars of Matters to be Acted Upon".

## **OTHER BUSINESS**

Management does not know of any other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by the proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the Proxy.

## **AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITORS**

Under Multilateral Instrument 52-110 *Audit Committees* ("MI 52-110") reporting issuers in those jurisdictions which have adopted MI 52-110 are required to provide disclosure with respect to its Audit Committee including the text of the Audit Committee's Charter, composition of the Committee, and the fees paid to the external auditor. The Company is a reporting issuer in B.C. and Alberta. MI 52-110 has not been adopted in B.C., but it has been adopted in Alberta. Accordingly, the Company provides the following disclosure with respect to its Audit Committee:

Please refer to Exhibit 1 to Schedule "A" attached to this Management Information Circular for the Audit Committee Charter.

### **Composition of Audit Committee**

Following the election of directors pursuant to this Management Information Circular, the following will be members of the Audit Committee:

John Dow	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Stephen Burns	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Peter Liddle	Not Independent	Financially literate <sup>(2)</sup>

<sup>(1)</sup> A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

<sup>(2)</sup> An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

### **Relevant Education and Experience**

#### **John Dow (Chairman)**

- Mr Dow is a geologist with 39 years international experience. After joining Newmont Australia in 1978 he has held senior executive positions in Newmont culminating in him being appointed as Chairman and Managing Director of Newmont Australia (previously Normandy Mining Limited) in April 2002. Subsequent to his retirement in 2005, he has accepted several independent directorships.
- Mr Dow's experience in exploration activities and related accounting issues provides another dimension in the consideration of appropriate accounting treatment and disclosures.

## Stephen Burns

- Chartered Accountant and financial advisor in public practice for over 30 years
- Chair or member of various audit and special committees
- Holds a BA, CA and MBA

## Peter Liddle

- Chartered Accountant with over 25 years experience in the financial services industry, particularly in the mineral and petroleum sectors of New Zealand and Australia
- Has acted as senior financial officer or executive of New Zealand and Australian publicly listed exploration/mining companies since 1985
- Holds a B Com and a CA (New Zealand)

### Audit Committee Oversight

At no time since the commencement of the Company's most recently completed fiscal period was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed fiscal period has the Company relied on the exemption in Section 2.4 of MI 52-110 (De Minimis Non-audit Services), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110.

### Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board of Directors to review the performance of the Company's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve in writing any non-audit services or additional work that the Chairman of the Audit Committee deems is necessary, and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the Committee's consideration, and if thought fit, approval in writing.

### External Auditor Service Fees

The fees billed by the Company's external auditors in each of the last three fiscal periods for audit and non-audit related services provided to the Company or its subsidiaries (if any) are as follows:

FINANCIAL PERIOD ENDING	AUDIT FEES <sup>(1)</sup>	AUDIT RELATED FEES <sup>(2)</sup>	TAX FEES	ALL OTHER FEES
December 31, 2006	\$66,131	--	\$5,183	--
May 31, 2006	\$68,428	\$46,933	--	--
May 31, 2005	\$40,250	\$7,393	--	--

<sup>(1)</sup> Audit fees consist of aggregate fees billed for professional services rendered for the audit of annual financial statements and over view of the interim financial statements included in quarterly reports.

<sup>(2)</sup> Audit related fees consist of aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under

Audit fees. These fees include the review of registration statements, the participation at the meetings of the board of directors and audit committee and compilation of pro forma statements (2005) and the interim financial statements for the 9 months ended 28 February 2006 as included in the New Zealand registered prospectus (2006).

### **Exemption**

The Company has relied upon the exemption provided by section 6.1 of MI 52-110, which exempts a "venture issuer" from the requirement to comply with the restrictions on the composition of its Audit Committee as well as the disclosure requirements of its Audit Committee in an annual information form as prescribed by MI 52-110. The Company is a "venture issuer" as that term is defined under MI 52-110.

### **CORPORATE GOVERNANCE**

National Instrument 58-101 *Disclosure of Corporate Governance Practices* requires the Company to disclose in its Management Information Circular certain information relating to the Company's corporate governance practices. This disclosure in Form 58-101F1 is appended as Schedule "A" to this Management Information Circular.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). To obtain copies of the Company's Financial Statements and Management Discussion and Analysis (which contains financial information about the Company), shareholders are directed to the Company's filings on SEDAR or may request copies of such information in writing by contacting the Company at: Suite 500, 357 Bay Street, Toronto, Ontario, M5H 2T7.

### **APPROVAL AND CERTIFICATION**

The contents of this Information Circular have been approved and this mailing has been authorized by the Directors of the Company.

Where information contained in this Management Information Circular, rests specifically within the knowledge of a person other than the Company, the Company has relied upon information furnished by such person.

The foregoing contains no untrue statement of material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

#### **BY ORDER OF THE BOARD OF DIRECTORS**

(signed) "Glenn Laing"  
Chief Executive Officer, President and Director



**Schedule "A"**

**FORM 58-101F1  
CORPORATE GOVERNANCE DISCLOSURE**

The Company believes that its corporate governance practices ensure that the business and affairs of the Company are effectively managed so as to enhance shareholder value. The disclosure requirements of National Instrument 58-101 and a commentary on the Company's approach with respect to each requirement are set forth below.

<b>Disclosure Requirements</b>	<b>Comments</b>
<p>Disclose the identity of directors who are independent.</p> <p>Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>	<p>The Board of Directors comprises seven directors, four of whom are independent. The definition of independence used by the Company is that used by the Canadian Securities Administrators, which is set out in section 1.4 of MI 52-110. A director is independent if he or she has no direct or indirect material relationship to the Company. A "material relationship" is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment. Certain types of relationships are by their very nature considered to be material relationships and are specified in section 1.4 of MI 52-110.</p> <p>John Dow, Richard Billingsley, Stephen Burns and Paul Jones are all considered to be independent directors.</p> <p>Glenn Laing is not considered to be independent by virtue of his position as President and Chief Executive Officer of the Company. Simon Henderson is not considered to be independent by virtue of his position as Vice President, Exploration and Chief Operating Officer of the Company. Peter Liddle is not considered to be independent by virtue of his position as Chief Financial Officer and Secretary of the Company.</p>
<p>Disclose whether or not a majority of directors are independent.</p>	<p>A majority of the directors are independent.</p>
<p>If a director is presently a director of another issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>Glenn Laing is a director of St Andrew Goldfields Ltd., Jumbo Petroleum Corporation and Youandi Capital Corp.</p> <p>Richard Billingsley is a director of Luiiri Gold Limited and Youandi Capital Corp.</p> <p>Stephen Burns is a director of St Andrew Goldfields Ltd.</p> <p>Paul Jones is a principal of Sovereign Gold Company, Ltd. and director of New Horizon Uranium Corporation of Golden, Colorado, which are privately held companies engaged in mineral activities in North and South America. Mr. Jones is also a director of St Andrew Goldfields Ltd</p>

<p>Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial period end. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.</p>	<p>The Board holds regular monthly meetings. At each meeting of the Board, all members are encouraged to raise and discuss any matters for discussion. 7 Board meetings were held during the period ended December 31, 2006.</p>
<p>Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his role and responsibilities.</p>	<p>The Company does not currently have an appointed Chairman. Glenn Laing chairs the meetings of the Board.</p>
<p>Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial period.</p>	<p>Richard Billingsley - 7 of 7 Board meetings  Stephen Burns - 1 of 2 Board meetings  John Dow - 6 of 7 Board meetings  Simon Henderson - 7 of 7 Board meetings  Paul Jones - 2 of 2 Board meetings  Glenn Laing - 7 of 7 Board meetings  Peter Liddle - 7 of 7 Board meetings</p>
<p>Disclose the text of the Board's written mandate.</p>	<p>Please refer to Exhibit 2 attached to this Management Information Circular.</p>
<p>Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.</p>	<p>The Board has not developed written position descriptions for the chair and the chair of each board committee.  Positions descriptions will be developed in due course. To date the size of the Board and each Board committee has meant that all members take responsibility for the activities of the Board and Board committees respectively, with the chair responsible for chairing meetings of the Board or particular Board committee.</p>
<p>Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.</p>	<p>The Board and the CEO have not developed a written position description for the CEO.  A position description for the CEO will be developed in due course, but due to the size of the Board and the early stage of development of the Company, the CEO has worked very closely with the Board on all matters material to the Company.</p>
<p>Briefly describe what measure the Board takes to orient new directors regarding:</p> <p>(i) the role of the Board, its committees and its directors, and</p>	<p>To date, Messrs. Dow, Burns and Jones are the only new directors appointed to the Board of Directors since the Company's initial public offering in March 2005.  Mr. Dow met with the COO in New Zealand for a technical orientation session and the CFO provided written and oral background</p>

<p>(ii) the nature and operation of the issuer's business.</p>	<p>information on the group's financial, committee and secretarial functions.</p> <p>Messrs. Burns and Jones are directors of St Andrew Goldfields Ltd., the majority shareholder of the Company. Mr Jones met with the COO in New Zealand for a technical orientation session. The CFO provided written background information on the group's financial, committee and secretarial functions.</p> <p>It is expected, given the size of the group and its recent publications that a similar orientation process would provide any new directors with a good grounding.</p>
<p>Briefly discuss what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>The Board of Directors does not provide formal continuing education for directors. Directors maintain the skill and knowledge necessary to meet their obligations as directors through a combination of their existing education, experience as businesspersons and managers, service as directors of other issuers and advice from the Company's legal counsel, auditors and other advisors.</p>
<p>Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:</p> <p>(i) disclose how a person or company may obtain a copy of the code,</p> <p>(ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code, and</p> <p>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial period that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p>The Board has adopted a written code of conduct for its directors, officers, employees and those consultants who represent the Company.</p> <p>(i) a copy of the Company's code of conduct referred to above can be obtained by written request to the Company's Secretary, at Suite 500, 357 Bay Street, Toronto, Ontario M5H 2T7, or by reference to the Company's website.</p> <p>(ii) The Board monitors compliance with its Code by requiring that each director and officer annually affirm, in writing, that he/she has read and understood the code of conduct and has agreed to abide by it in all aspects.</p> <p>(iii) None.</p>
<p>Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>Each director and executive officer is required to fully disclose his interest in respect of any transaction or agreement to be entered into by the Company. Once such interest has been disclosed, the Board as a whole determines the appropriate level of involvement the director or executive officer should have in respect of the transaction or agreement.</p>
<p>Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>Management, with the support of the Board, has put structures in place to ensure effective communication between the Company and its shareholders and the public. The Company provides disclosure as required by law, and legal counsel reviews press releases and reports to shareholders as required.</p>

	<p>The Board manages the business of the Company on behalf of the shareholders and is responsible for, among other things, strategic planning and management of the Company's principal risks. Any responsibility that is not delegated to senior management or a committee of the Board remains with the full Board. In addition to those matters, which must by law be approved by the Board, the approval of the Board is required for major transactions or expenditures.</p>
<p>Describe the process by which the Board identifies new candidates for Board nomination.</p>	<p>All directors are responsible for recommending suitable candidates for nomination to the Board, when required, and when doing so consider:</p> <ul style="list-style-type: none"> <li>(a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;</li> <li>(b) the competencies and skills that the Board considers necessary for each existing director to possess; and</li> <li>(c) the competencies and skills each new nominee will bring to the boardroom.</li> </ul>
<p>Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.</p>	<p>The Company does not have a formal process or committee for proposing new nominees to the Board of Directors.</p>
<p>If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	<p>The Board does not, at present, have a Nominating Committee, but will consider implementing one in the future should circumstances warrant.</p>
<p>Describe the process by which the Board determines compensation for the issuer's directors and officers.</p>	<p>The Company has established a compensation committee, currently comprised of Messrs. John Dow and Richard Billingsley, to ensure that independent directors determine and review the remuneration of executives on behalf of the Board of Directors and that the remuneration policies and packages attract, retain and motivate quality individuals without exceeding market rates.</p> <p>The compensation committee determines and agrees with the Board of Directors the framework or broad policy for the remuneration of the Company's executive directors, Chief Executive Officer and other members of the executive management of the Company. The remuneration of non-executive directors is determined by the executive members of the Board of Directors. No director or manager is involved in any decisions as to their own remuneration.</p>

<p>Disclose whether or not the Board has a compensation committee composed entirely of independent directors.</p> <p>If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.</p>	<p>The Board has a Compensation Committee composed of two directors, both of whom are independent.</p>
<p>If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p>Please refer to Exhibit 3 attached to this Management Information Circular.</p>
<p>If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial period, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>Not applicable.</p>
<p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board of Directors is considering establishing a Corporate Governance Committee comprised of two independent directors, but currently has no other standing committees.</p>
<p>Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments.</p> <p>If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p>The board does not, at present, have a formal process in place for assessing the effectiveness of the board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant.</p>

## Exhibit 1

### Audit Committee Charter

(Implemented pursuant to Multilateral Instrument 52-110)

This Charter has been adopted by the Board in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Company. Nothing in this Charter is intended to restrict the ability of the Board or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

- (a) The Board shall elect annually from among its members at the first meeting of the Board following the annual meeting of the shareholders, a committee to be known as the audit committee to be composed of three directors or such other number not less than three as the Board may from time to time determine, of whom the majority shall not be officers or employees of the Company or an affiliate of the Company. A majority of the audit committee shall constitute a quorum.
- (b) Any member of the committee may be removed or replaced at any time by the Board. Any member of the committee ceasing to be a director shall cease to be a member of the audit committee. Subject to the foregoing, each member of the audit committee shall hold office as such until the next annual appointment of members after his election. Any vacancy occurring in the committee shall be filled at the next meeting of the Board.
- (c) The responsibilities of the audit committee shall be to:

With respect to Financial Accounting Matters,

1. Review with management and the external auditors the annual consolidated financial statements, the annual report including the management discussion and analysis and the press release before making recommendations to the Board relating to approval of the statements. *Timing: year-end.*
2. Review with management, and if deemed necessary with the external auditors, interim financial statements, the quarterly report including the management discussion and analysis and the press release before making recommendations to the Board relating to approval of the statements. *Timing: first three quarters.*
3. Review with management, and if deemed necessary with the external auditors, all financial statements included in a prospectus or annual information form or any other public disclosure document containing financial information before making recommendations to the Board relating to the approval of the same. *Timing: as required.*
4. Review annually the accounting principles and practices followed by the Company and any changes in the same as they occur. *Timing: annually near year-end.*
5. Review new accounting principles of the Canadian Institute of Chartered Accountants, which would have a significant impact on the Company's financial reporting as reported to the audit committee by management. *Timing: annually near year-end or as required.*
6. Review estimates and judgments and choices of accounting alternatives, which are material to reported financial information as reported to the audit committee by management. *Timing: each quarter and year-end.*
7. Review the status of material contingent liabilities as reported to the audit committee by management. *Timing: each quarter and year-end.*
8. Review the status of income tax returns and potentially significant tax

problems as reported to the audit committee by management. *Timing: immediately as known.*

9. Review any errors or omissions in the current or prior year's financial statements. *Timing: immediately as known.*

With respect to Internal Controls,

Review with management, and if deemed necessary with the external auditors, the adequacy of the Company's internal controls over financial reporting and disclosure controls and procedures to ensure that:

1. effective internal controls over financial reporting have been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP; and
2. disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the board of directors in a timely manner.

With respect to the External Auditors,

1. Review with management the performance and independence of the external auditors and report thereon to the Board at least annually, including, where appropriate, a recommendation to replace the external auditor. *Timing: year-end.*
2. Review with management the engagement letter of the external auditors and the scope and timing of the audit work to be performed as outlined in the Audit Plan. *Timing: annually.*
3. Review with the external auditors the performance of management involved in the preparation of financial statements and any problems encountered by the external auditors, any restrictions on the auditors' work, the cooperation received in the performance of the audit and the audit findings. *Timing: year-end.*
4. Review the management letter with management and the external auditors, noting any significant recommendations on internal control made by them to management and management's response to the recommendations. *Timing: mid-year starting in second year.*
5. Review with management and the external auditors, estimated and actual audit fees. *Timing: mid-year.*
6. Receive and review with the external auditors a formal written statement prepared by the external auditors that discloses all relationships, including the nature of and fees for any non-audit services performed for the Company, between the external auditor and the Company and consider whether the nature and extent of such services could impact on the objectivity and independence of the external auditor and, if necessary, recommending that the full board take appropriate action to oversee the independence of the external auditor. *Timing: as required.*

With respect to General Audit Matters,

1. Inquire of management, and the external auditors as to any activities that may be or may appear to be illegal or unethical. *Timing: each quarter and year-end.*
2. Review with management, and if deemed necessary, with the external auditors any material frauds reported to the audit committee. *Timing:*

*immediately as known.*

3. Review with the external auditors the adequacy of staffing for accounting and financial responsibilities. *Timing: year-end.*
  4. Report and make recommendations to the Board as the committee considers appropriate. *Timing: as required.*
- (d) In addition, the Board may refer to the audit committee such matters and questions relating to the Company and its affiliates as the Board may from time to time see fit.
  - (e) Any member of the audit committee may require the auditors to attend any or every meeting of the audit committee.
  - (f) The audit committee shall elect annually a chairman from among its members.
  - (g) The audit committee shall review and reassess the adequacy of the formal mandate on an annual basis.
  - (h) The times of and the places where meetings of the audit committee shall be held and the calling of and procedure at such meetings shall be determined from time to time by the audit committee; provided that notice of every such meeting and the circulation of the financial statements to committee members is at least 48 hours prior to the meeting. The auditors of the Company also shall be given such notice of meetings and shall be entitled to attend and be heard thereat, and that meetings shall be convened whenever requested by the auditors, or any member of the audit committee in accordance with the Business Corporations Act (1982).
  - (i) At each meeting of the audit committee the independent members shall meet without management and consider any matters tabled by any such member. At each meeting at which the external auditors of the Company are in attendance, the independent members shall meet with the external auditors without management present and consider any matters tabled by any such member or the external auditors.
  - (j) The audit committee shall support the senior management team and the Board in keeping abreast of changes occurring or proposed to regulatory requirements and/or general accounting guidelines, such that the Company adopts "best in class" accounting and internal control policies and practices.
  - (k) All prior resolutions of the Board relating to the constitution and responsibilities of the audit committee are hereby repealed.

*Outside of the Mandate but as a matter of routine at each Audit Committee Meeting, the Chief Financial Officer will make a series of reports which will include;*

1. *The CFO is not aware of any frauds or thefts of Company property*
2. *The CFO is not aware of any activities which may be illegal or unethical*
3. *There are no new contingent liabilities except as reported.*
4. *There are no new tax reassessments or other tax issues except as reported.*
5. *There are no prior year accounting adjustments except as reported.*



## Exhibit 2

### DIRECTOR'S POSITION DESCRIPTION

Every Director of the Company in exercising his powers and discharging his duties shall:

- (a) act honestly and in good faith with a view to the best interests of the Company.
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

#### **With respect to Fiduciary Duty or the Duty of Loyalty**

1. the fiduciary duty requires a Director to be honest in dealing with other Directors and with the Company. In fact, a Director must disclose all information he or she has to the Board. The collegial structure of the Board and the practical delegation of responsibilities to committees will suffer if Directors deprive their fellow Directors of important information they need to carry out their responsibilities and practice due diligence.
2. the fiduciary duty implies a duty of confidentiality. All information about the Board or the Company's activities should be presumed to be confidential unless released to the public.
3. Directors may not profit at the expense of the Company. They may not divert opportunities or benefits from the Company to themselves or put themselves in a position of conflict by competing with the Company for business opportunities.
4. Directors must disclose their material interest in a party or contracts and should disclose these interests to the full Board and not just a committee.

#### **With respect to the Duty of Care:**

1. these responsibilities imply that the Directors attend meetings regularly, read the documents and briefing notes prepared for them prior to the meetings and follow-up on important matters.
2. the business judgement rule protects boards and directors from those that might second-guess their decisions. However, Directors must ensure that the process by which they made a decision ensures that there was adequate information available, agendas and background documents in place, rigorous review and questioning is documented and that in-depth review where warranted is referred to the appropriate committee.

#### **Specific Duties of Directors**

1. Overseeing and approving a strategy for the business.

The Directors, individually and collectively, have the responsibility to participate in developing and approving the mission of the business, its objectives and goals, and the strategy by which it proposes to reach those goals. Directors must ensure there is congruence between shareholder expectations, Company plans and management performance.

2. Management of the Board and selection and oversight of senior management.

Directors, individually and collectively, are responsible for managing the Board affairs, including planning its composition, selecting its chair, nominating candidates for election to the Board, appointing committees and determining Director compensation. Directors, individually and collectively, have the responsibility for management succession including the appointment, monitoring and replacement of the Chief Executive Officer as well as Chief Executive Officer compensation. Directors have the responsibility for approving the appointment and compensation of senior management acting upon the advice of the

Chief Executive Officer.

3. Monitoring and Acting

Directors, individually and collectively, have the responsibility for monitoring the company's performance against goals and revising strategy as appropriate.

4. Approving Policies and Procedures for implementing strategy

Directors, individually and collectively, have the responsibility for approving all significant policies and procedures and ensuring compliance with all laws and regulations, while adhering to the highest ethical and moral standards.

5. Reporting to shareholders on the performance of the business.

Directors, individually and collectively, have the responsibility for the integrity and timely reporting to shareholders in addition to the approval of all dividends.

6. Approval and completion of routine legal requirements

Directors, individually and collectively, are responsible for ensuring all legal requirements, documents and records have been properly prepared, approved and maintained.

### Exhibit 3

#### Compensation Committee Mandate

This Charter has been adopted by the Board in order to more properly define the role of the Committee in the oversight of the compensation strategy and policies for Directors, Officers and employees of the Company. Nothing in this Charter is intended to restrict the ability of the Board or Committee to alter or vary procedures as necessary.

**RESOLVED** as follows:

- (a) The Board shall elect annually from among its members at the first meeting of the Board following the annual meeting of the shareholders, a committee to be known as the Compensation Committee to be composed of two independent directors or such other number not less than two as the Board may from time to time determine. A majority of the Compensation Committee members will constitute a quorum, with a minimum of two.
- (b) Any member of the Compensation Committee may be removed or replaced at any time by the Board. Any member ceasing to be a director shall cease to be a member of the Compensation Committee. Subject to the foregoing, each member of the Compensation Committee shall hold office as such until the next annual appointment of members after his election. Any vacancy occurring in the committee shall be filled at the next meeting of the Board.
- (c) The Board of Directors assumes responsibility for the stewardship of the Company, and as part of this stewardship, through the Compensation Committee, assumes responsibility for the following:

The responsibilities of the Compensation Committee will include reviewing and making recommendations to the Board with respect to the overall compensation strategy and policies for Directors, Officers and employees of the Company, more specifically these will include:

- 1. setting the goals and objectives for the compensation of the Chairman and Chief Executive Officer. *Timing: annually and as required.*
  - 2. evaluating the performance of the Chairman and Chief Executive Officer relative to the goals and objectives set and recommending to the Board the compensation level of the Chairman and Chief Executive Officer based on this evaluation. *Timing: annually and as required.*
  - 3. reviewing the annual compensation of all other senior executive officers of the Company as recommended by the Chief Executive Officer. The Chief Executive Officer shall attend the Compensation Committee meeting when senior executive salaries are discussed. *Timing: annually and as required.*
  - 4. reviewing the Company's issuance of Stock Options and Compensation Shares and recommending to the Board a prudent level for these instruments and any disbursements therefrom. *Timing: as required.*
  - 5. reviewing employment contracts for senior officers and employees and recommendation thereof and/or changes thereto to the Board. *Timing: on-going*
  - 6. reviewing the compensation of the Company's Directors, based on work performed, responsibility assigned and liability incurred as assessed by the Chairman, Chief Executive Officer and the other Directors. *Timing: as required.*
- (d) In addition, the Board may refer to the Compensation Committee such matters and questions relating to compensation as the Board may from time to time see fit.

- (e) Any member of the Compensation Committee may require experts to attend a meeting of the Compensation Committee.
- (f) The Compensation Committee shall elect annually a chairman from among its outside director members.
- (g) The times of and the places where meetings of the committee shall be held and the calling of and procedure at such meetings shall be determined from time to time by the Compensation Committee.

**GLASS EARTH LIMITED**

**(A DEVELOPMENT STAGE COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS  
SEVEN MONTHS ENDED DECEMBER 31, 2006  
(Stated in Canadian Dollars)**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying consolidated financial statements of Glass Earth Limited and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

Glass Earth maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and the majority of its members are independent non executive directors. The Committee meets at least four times a year with management, and as required with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the quarterly and the annual reports, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors. The consolidated financial statements have been audited by KPMG, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG has full and free access to the Audit Committee.

### **Glenn Laing**

*President and Chief Executive Officer*

### **Peter Liddle**

*Chief Financial Officer*

March 7, 2007



## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Glass Earth Limited as at December 31, 2006 and the consolidated statements of operations and deficit, shareholders' equity and cash flows for the seven months then ended. 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 audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the seven months then ended in accordance with Canadian generally accepted accounting principles.

The consolidated balance sheet as at May 31, 2006 and the consolidated statements of operations and deficit, shareholders' equity and cash flows for the year ended May 31, 2006 were reported upon by other auditors. The report covering the year ended May 31, 2006 contained no reservations and was dated September 25, 2006.

A handwritten signature in blue ink, appearing to read 'KPMG', located below the main body of text.

Chartered Accountants

Auckland, New Zealand

March 7, 2007

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**  
Consolidated Balance Sheets  
*(in thousands of Canadian Dollars)*

As at	7 months ended December 31 2006 \$	12 months ended May 31 2006 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and equivalents	7,316	1,403
Amounts receivable	157	82
Advances and prepaid expenses	54	10
	<u>7,527</u>	<u>1,495</u>
<b>Mineral Properties</b> (Note 5)	6,317	5,048
<b>Property and Equipment</b> (Note 6)	262	113
	<u>6,579</u>	<u>5,161</u>
	<u>14,106</u>	<u>6,656</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	577	246
Accrued liabilities	38	122
	<u>615</u>	<u>368</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Common Shares</b> (Note 7(a))	12,899	6,618
<b>Share Purchase Warrants</b> (Note 7(b))	2,430	1,156
<b>Contributed Surplus</b> (Note 7(d))	999	464
<b>Deficit Accumulated through Development Stage</b>	<u>(2,837)</u>	<u>(1,950)</u>
	<u>13,491</u>	<u>6,288</u>
<b>Going concern</b> (Note 2)		
	<u>14,106</u>	<u>6,656</u>

**APPROVED ON BEHALF OF THE BOARD**

*"signed" Glenn Laing*  
**Glenn Laing, Director**

*"signed" Peter Liddle*  
**Peter Liddle, Director**

*(The accompanying notes are an integral part of these consolidated financial statements.)*



**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Consolidated Statement of Shareholders' Equity

(in thousands of Canadian Dollars except for share issuance costs)

	Common Shares	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit accumulated during the development stage	Shareholders' equity
	#	\$	\$	\$	\$	\$
<b>Balance - May 31, 2004</b>	<b>7,149,914</b>	<b>1,337</b>	-	-	<b>(591)</b>	<b>746</b>
- Issuance of shares on private placement, net of issuance costs of \$64,000	14,087,000	2,754	-	-	-	2,754
- Valuation of warrants issued on private placement	-	(423)	-	423	-	-
- Issuance of shares pursuant to acquisition of GENZL in RTO	36,000,720	737	-	-	-	737
- Adjustment pursuant to RTO	-	(1,401)	-	-	-	(1,401)
Loss for the period	-	-	-	-	(52)	(52)
<b>Balance - May 31, 2005</b>	<b>57,237,634</b>	<b>3,004</b>	-	<b>423</b>	<b>(643)</b>	<b>2,784</b>
- Issuance of shares on private placement, net of issuance costs of \$21,000	3,333,333	479	-	-	-	479
- Valuation of warrants issued on private placement	-	(83)	-	83	-	-
- Issuance of shares on private placement, net of issuance costs of \$500	3,333,333	500	-	-	-	500
- Valuation of warrants issued on private placement	-	(83)	-	83	-	-
- Issuance of shares on private placement, net of issuance costs of \$500	3,333,333	499	-	-	-	499
- Valuation of warrants issued on private placement	-	(83)	-	83	-	-
- Funds received for private placement, shares issued on June 6, 2006	-	1,000	-	-	-	1,000
- Valuation of warrants issued on private placement	-	(167)	-	167	-	-
- Issued pursuant to acquisition of HPD, net of issuance costs of \$31,000 (see Note 7(a)(iii))	12,665,000	1,869	-	-	-	1,869

(The accompanying notes are an integral part of these consolidated financial statements.)

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Consolidated Statement of Shareholders' Equity

(in thousands of Canadian Dollars except for share issuance costs)

	Common Shares	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit accumulated during the development stage	Shareholders' equity
	#	\$	\$	\$	\$	\$
- Valuation of warrants issued on acquisition of HPD	-	(317)	-	317	-	-
- Stock option compensation expense	-	-	464	-	-	464
Loss for the period	-	-	-	-	(1,307)	(1,307)
<b>Balance - May 31, 2006</b>	<b>79,902,633</b>	<b>6,618</b>	<b>464</b>	<b>1,156</b>	<b>(1,950)</b>	<b>6,288</b>
- Issuance of shares on private placement, for which funds were received in May 2006	6,666,667	-	-	-	-	-
- Issuance of shares on private placement, net of issuance costs of \$8,000	3,333,333	492	-	-	-	492
- Valuation of warrants issued on private placement	-	(132)	-	132	-	-
- Issuance of shares on New Zealand offering, net of issuance costs of \$435,000	40,000,000	7,063	-	-	-	7,063
- Valuation of warrants issued on New Zealand offering	-	(1,142)	-	1,142	-	-
- Stock option compensation expense	-	-	535	-	-	535
Loss for the period	-	-	-	-	(887)	(887)
<b>Balance - December 31, 2006</b>	<b>129,902,633</b>	<b>12,899</b>	<b>999</b>	<b>2,430</b>	<b>(2,837)</b>	<b>13,491</b>

(The accompanying notes are an integral part of these consolidated financial statements.)

**GLASS EARTH LIMITED****(A Development Stage Company)**

Consolidated Statements of Operations and Deficit

*(in thousands of Canadian Dollars, except per share amounts)*

	<b>7 months ended December 31 2006</b>	12 months ended May 31 2006
	\$	\$
<b>Revenue</b>	-	-
<b>Expenses</b>		
Amortization	19	8
Consultancy fees	62	42
Exchange translation (gains) / losses	(270)	-
Financing fees	-	44
General and administration	288	341
Professional fees	133	200
Registry and filing	27	25
Salaries	104	114
Stock-based compensation (Note 7(c))	535	464
Travel and accommodation	64	75
	<b>962</b>	1,313
<b>Loss for the period before the undernoted</b>	<b>(962)</b>	(1,313)
Interest Income	75	6
<b>Loss before Income Taxes</b>	<b>(887)</b>	(1,307)
Income taxes	-	-
<b>Net Loss for the period / year</b>	<b>(887)</b>	(1,307)
<b>Deficit - beginning of period / year</b>	<b>(1,950)</b>	(643)
<b>Deficit - end of period / year</b>	<b>(2,837)</b>	(1,950)
<b>Loss per Share - Basic and Fully Diluted</b>	<b>(0.01)</b>	(0.02)
<b>Weighted average number of basic and fully diluted common shares outstanding during the year</b>	<b>89,345,966</b>	61,655,620

*(The accompanying notes are an integral part of these consolidated financial statements.)*

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**  
Consolidated Statements of Cash Flows  
*(in thousands of Canadian Dollars)*

	<b>7 months ended December 31 2006 \$</b>	12 months ended May 31 2006 \$
<b>Cash Provided by (used in) :</b>		
<b>Operating Activities</b>		
Net loss for the period /year	<b>(887)</b>	(1,307)
Adjustments for non-cash items:		
Amortization	<b>19</b>	8
Exchange translation (gains) / losses	<b>(270)</b>	-
Stock-based compensation (Note 7(c))	<b>535</b>	464
Changes in non-cash working capital items:		
Amounts receivable	<b>(75)</b>	(62)
Advances and prepaid expenses	<b>(44)</b>	(10)
Accounts payable	<b>331</b>	200
Accrued liabilities	<b>(84)</b>	(175)
<b>Net cash used in Operating Activities</b>	<b>(475)</b>	(882)
<b>Financing Activities</b>		
Issuance of common shares, for cash	<b>7,998</b>	2,500
Share issue costs	<b>(443)</b>	(53)
<b>Net cash provided from Financing Activities</b>	<b>7,555</b>	2,447
<b>Investing Activities</b>		
Expenditures on mineral properties	<b>(1,261)</b>	(1,405)
Acquisition of property and equipment	<b>(176)</b>	(116)
<b>Net cash used in Investing Activities</b>	<b>(1,437)</b>	(1,521)
	<b>5,643</b>	
<b>Net increase in cash and equivalents</b>		44
<b>Cash and equivalents - beginning of period / year</b>	<b>1,403</b>	1,359
<b>Foreign exchange gains on translation of monetary item</b>	<b>270</b>	-
<b>Cash and equivalents - end of period / year</b>	<b>7,316</b>	1,403
<b>Cash and equivalents consist of:</b>		
<b>Cash</b>	<b>138</b>	1,403
<b>Short Term Investments</b>	<b>7,178</b>	-
	<b>7,316</b>	1,403

**Supplemental Cash Flow information**

During the period and the year the Company had no cash paid for interest or income taxes.

*(The accompanying notes are an integral part of these consolidated financial statements.)*

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

**1. Nature of Operations and Basis of Presentation**

Glass Earth Limited (formerly known as BC Report Magazine Ltd., incorporated under the *Business Corporations Act* (British Columbia)) (the "Company"), through its wholly owned legal subsidiary Glass Earth (New Zealand) Limited (formerly Glass Earth Limited) ("GENZL"), is engaged in the acquisition and exploration of mineral properties. To date, the Company has not earned any revenues from its exploration activities and is considered to be in the development stage.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the ability of the Company to raise additional financing, the preservation of its interest in the underlying properties, the discovery of commercially recoverable reserves, the achievement of profitable operations, and/or the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

Glass Earth Limited has changed its financial year end from May 31 to December 31. During the period Glass Earth Limited became a subsidiary of St Andrew Goldfields Limited. As St Andrew Goldfields Limited has a financial year end of December 31, the Company believes that it would be more cost efficient and in the best interest of shareholders for both companies to have the same financial year end. The Company has implemented this change by having a transition period of 7 months, with the last day of the transition period being December 31, 2006.

**2. Going Concern**

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, the consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

As at December 31, 2006, the Company had a net loss of \$887,000 (May 31, 2006: \$1,307,000) and accumulated deficit of \$2,837,000 (May 31, 2006: \$1,950,000) and no source of operating cash flow. The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, the discovery, development or sale of mining reserves and achievement of profitable operations. The Company is planning to meet its future expenditures and obligations by raising funds through public offerings private placements or by farm-outs of mineral properties. It is not possible to predict whether these efforts will be successful or whether the Company will attain profitable levels of operation.

**3. GENZL Reverse Takeover and Acquisition of HPD New Zealand Limited**

**On March 30, 2005**, the Company completed the acquisition of all the outstanding common shares of GENZL, in exchange for common shares of the Company. Pursuant to the terms of the Share Exchange Agreement entered into with GENZL and its shareholders, the Company issued 36,000,720 common shares to acquire the 16,667 outstanding common shares of GENZL.

The transaction constituted a Reverse Take-Over (the "RTO") of the Company by GENZL under the policies of the TSX Venture Exchange (the "Exchange"). Upon completion of the transaction, the Company changed its name from BC Report Magazine Ltd. to Glass Earth Limited. Its newly acquired subsidiary changed its name from Glass Earth Limited to Glass Earth (New Zealand) Limited.

The acquisition of the shares of GENZL has been accounted for as a reverse takeover transaction in accordance with guidance provided in Emerging Issues Committee ("EIC") Abstract No. 10. The Company did not qualify as a business for accounting purposes, and accordingly the transaction has been accounted for as an issuance of shares and warrants by GENZL for the net monetary assets of the Company, accompanied by a recapitalization of the Company.

Further to the RTO transaction described above, these consolidated financial statements for the seven months ended December 31, 2006 reflect the assets, liabilities and results of operations of GENZL, the legal subsidiary, prior to the reverse takeover and the consolidated assets, liabilities and results of operations of the Company and GENZL subsequent to the reverse takeover. The consolidated financial statements are issued under the name of the legal parent (the Company), but are deemed to be a continuation of the legal subsidiary (GENZL).

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

**On March 31, 2006**, the Company completed the acquisition of all the outstanding common shares of HPD New Zealand Limited ("HPD"), in exchange for common shares of the Company. Pursuant to the terms of the Share Exchange Agreement entered into with HPD and its shareholders, the Company issued 12,665,000 common shares and 6,332,500 share warrants (with a strike price of 25 cents each for a period of 2 years) to acquire 100% of the outstanding common shares of HPD. HPD is consolidated under the purchase method.

**4. Significant Accounting Policies**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principals.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries GENZL and HPD, as described in Note 3. All significant inter-company transactions and balances have been eliminated.

b) Mineral Properties

Direct property acquisition costs, holding costs, field exploration and field supervisory costs relating to specific properties are capitalized and deferred until the properties are brought into production, at which time they will be amortized on a unit of production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge will be made. Costs include the cash consideration paid and the fair market value of the shares issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in income for the year. Costs incurred for administration and general exploration that are not project specific, are charged to operations. The recorded amounts for acquisition costs of properties and their related capitalized exploration and development expenses represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalized costs on its properties on a periodic, or at least annual,

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

basis and will recognize an impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property. Management's assessment of a property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review. The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

c) Cash and Equivalents

Cash and equivalents includes cash on account and highly liquid investments with a remaining term to maturity of three months or less at the date of purchase.

d) Property and Equipment

Property and equipment are carried at cost less accumulated amortization. Amortization is provided on a straight line basis over their estimated useful lives at the following rates:

Computer Equipment	36%
Motor Vehicles	18%
Leasehold Improvements	25%
Office Furniture & Equipment	10%

e) Foreign Currency Translation

The Canadian dollar is the functional currency of the Company and its subsidiaries. The Company considers its New Zealand operations to be integrated operations. As such, monetary assets and liabilities of the Company's foreign operations denominated in a currency other than the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing as at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at the average exchange rates prevailing during the year, with the exception of depreciation and amortization which is translated at historical rates. Exchange gains and losses on translation are included in the Consolidated Statements of Operations and Deficit.



**GLASS EARTH LIMITED**

**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

f) Long-Lived Asset Impairment

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed based on the carrying amount of the long-lived asset compared to the sum of the future undiscounted cash flows expected to result from the use and the eventual disposal of the asset. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value. The amount of impairment loss, if any, which is the excess of the net carrying value over fair value, is charged to income for the period. Fair value is generally measured equal to the estimated future discounted net cash flows from the asset.

g) Income Taxes

The Company accounts for and measures the future tax assets and liabilities in accordance with the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

h) Stock-based Compensation

The Company's shareholders have approved a stock option plan. Under the plan, stock based compensation awards will be available to officers, directors, employees and non-employees. All stock-based payments made to non-employees and employees have been accounted for using a fair value-based method of accounting. The fair value of each stock option is accounted for in operations, over the vesting period thereof, and the related credit is included in contributed surplus. If and when the stock options are ultimately exercised and are issued, the applicable units of additional paid-in capital and contributed surplus will be transferred to share capital. The fair value is calculated based on the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable.

The Company's stock-based compensation plan is described in Note 7(c).

i) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share, according to the treasury stock method, assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings (loss) per share.

**GLASS EARTH LIMITED****(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

## j) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. The Company regularly reviews these estimates and assumptions that affect the consolidated financial statements and actual results could differ from those estimates.

Significant areas where management judgment is applied are asset valuations, the recoverability of exploration and development expenditures on mineral properties, asset retirement obligations, the valuation of warrants and tax accounts, stock-based compensation and contingent liabilities. In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented are reflected in the consolidated financial statements.

**5. Mineral Properties**

	<b>December 31, 2006</b>	May 31, 2006
	\$	\$
<b>Balance – beginning of period</b>	<b>5,048</b>	1,743
<b>Expenditure on Projects:</b>		
Airborne survey	<b>297</b>	700
Geological consulting, mapping and modeling	<b>448</b>	268
License rental	<b>92</b>	41
Resistivity surveys	<b>222</b>	185
Drilling	<b>210</b>	72
Total project expenditure for the period	<b>1,269</b>	1,266
<b>Acquisition of HPD New Zealand Limited</b>	-	2,039
<b>Balance – end of period</b>	<b>6,317</b>	5,048

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

- a) The Company has carried out prospecting and exploration for gold and silver in the Coromandel/Central Volcanic Region ("**CCVR**") of the North Island of New Zealand since September 2002. As at May 31, 2005, the Company's permit portfolio consisted of 100% of Prospecting Permits ("**PP**") 39-241 and 39-282, covering approximately 9,000 square kilometers of the CCVR.

In December 2005, the Company was granted six Exploration Permits ("**EP**") excised from Prospecting Permit 39-241. Accumulated exploration expenditures to that date have been reallocated to the individual EPs on the basis of the number of anomalous targets in each EP. A portion of accumulated exploration costs remain in Prospecting Permits 39-241 representing the less advanced anomalous targets contained therein.

- b) On March 31, 2006 the Company acquired HPD New Zealand Limited. HPD had a total of 22 Exploration and Prospecting Permits covering over 4,724 square kilometers over both the North and South Islands of New Zealand (being epithermal and mesothermal gold targets in each respective island).

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

For the seven months ended December 31, 2006 and year ended May 31, 2006

- c) The Company's exploration activities are carried out solely in New Zealand and have been divided into five projects. Expenditures made on account of mineral properties by the Company were as follows: -

Project	Opening Balance June 1, 2006 \$	Expenditure to December 31, 2006 \$	Closing Balance December 31, 2006 \$
Central Volcanic Region	2,719	814	<b>3,533</b>
Mamaku - Muirs Region	394	11	<b>405</b>
Hauraki Region	1,631	17	<b>1,648</b>
Otago Region	204	424	<b>628</b>
Waihi West Joint Venture	100	3	<b>103</b>
	<u>5,048</u>	<u>1,269</u>	<u><b>6,317</b></u>

Project	Opening Balance June 1, 2005 \$	Re-allocation as at December 31, 2005 \$	Expenditure to May 31, 2006 \$	Acquisition of HPD \$	Closing Balance May 31, 2006 \$
Central Volcanic Region	1,743	486	490	-	2,719
Mamaku-Muirs Region	-	184	6	204	394
Hauraki Region	-	-	-	1,631	1,631
Otago Region	-	-	-	204	204
Waihi West Joint Venture	-	93	7	-	100
	<u>1,743</u>	<u>763</u>	<u>503</u>	<u>2,039</u>	<u>5,048</u>

The New Zealand Crown Minerals Act 1991 provides for three types of permit: prospecting, exploration and mining.

PP's allow for less intensive work programmes and are granted for a period of up to two years with a right of renewal for up to an additional two years.

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

The holder of a PP may apply for an EP, which allows for higher impact work programmes. EPs are granted for a duration of five years with a right of renewal for another five years, for up to one half of the area covered by the original exploration permit.

The holder of an EP may apply for a mining permit ("MP"), which allows for mineral extraction. The duration of a MP may be as long as 40 years, but is typically less than 20 years.

Glass Earth currently holds 100% of each of its permits, which provide for exclusive rights to explore for gold and silver. From March 31, 2006, the Waihi West project (EP 40 767) is subject to a farm-in, whereby up to 80% interest in EP 40 767 may be earned by the incoming party upon expending NZ\$1.5 million (approximately \$1.1 million), on the preparation of a feasibility study and arranging development finance.

**6. Property and Equipment**

	December 31, 2006			May 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Computer Equipment	122	28	94	65	12	53
Motor Vehicles	126	8	118	50	1	49
Leasehold Improvements	40	1	39	-	-	-
Office furniture and equipment	12	1	11	11	-	11
	<b>300</b>	<b>38</b>	<b>262</b>	<b>126</b>	<b>13</b>	<b>113</b>

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

**7. Shareholders' Equity**

a) Common Shares

*Authorized:*

Unlimited number of common shares with no par value.

*Issued and Outstanding:*

	<b>Number of Common Shares #</b>	<b>Amount \$</b>
Outstanding May 31, 2005	57,237,634	3,004
Issued pursuant to private placement (i)	3,333,333	500
Issued pursuant to private placement (ii)	3,333,333	500
Issued pursuant to acquisition of HPD (iii)	12,665,000	1,900
Issued pursuant to private placement (iv)	3,333,333	500
Issued pursuant to private placement (v)	-	1,000
Share Purchase Warrant Valuations (Note	-	(733)
Share issue costs	-	(53)
Outstanding May 31, 2006	<u>79,902,633</u>	<u>6,618</u>
Issued pursuant to private placement (v)	6,666,667	-
Issued pursuant to private placement (vi)	3,333,333	500
Issued pursuant to New Zealand offering (vii)	40,000,000	7,498
Share Purchase Warrant Valuations (Note	-	(1,274)
Share issue costs	-	(443)
<b>Outstanding December 31, 2006</b>	<b><u><u>129,902,633</u></u></b>	<b><u><u>12,899</u></u></b>

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

- (i) On January 13, 2006, 3,333,333 common shares were issued for 15 cents per Unit, each Unit consisting of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of 25 cents per share for a period of two years following the date of issue of the Units.
- (ii) On March 30, 2006, 3,333,333 common shares were issued for 15 cents per Unit, each Unit consisting of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of 25 cents per share for a period of two years following the date of issue of the Units.
- (iii) On March 31, 2006, the Company issued 12,665,000 common shares and 6,332,500 share purchase warrants in consideration for the acquisition of all the issued and outstanding shares in HPD (Note 3). Each whole warrant entitles the holder to purchase one additional common share at a price of 25 cents per share for a period of two years following the date of issue of the Units.
- (iv) On April 19, 2006, 3,333,333 common shares were issued for 15 cents per Unit, each Unit consisting of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of 25 cents per share for a period of two years following the date of issue of the Units.
- (v) On May 26, 2006, funds were received for 6,666,667 units to be issued at 15 cents per Unit, each Unit to consist of one common share and one half of one share purchase warrant. Each whole warrant to entitle the holder to purchase one additional common share at a price of 25 cents per share for a period of two years following the date of issue of the Units. The common shares were issued on June 6, 2006.
- (vi) On June 6, 2006, 3,333,333 common shares were issued for 15 cents per Unit, each Unit consisting of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of 25 cents per share for a period of two years following the date of issue of the Units.
- (vii) On October 13, 2006, 40,000,000 common shares were issued for NZ 25 cents per Unit, each Unit consisting of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of NZ 35 cents per share for a period of two years following the date of issue of the Units. These common shares and warrants are listed on the New Zealand Exchange's Alternative Exchange (NZAX). The NZAX trading symbol for the common shares is GEL and for the warrants GELOA.



**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars, except per share amounts)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

(viii) As at the balance sheet date, and pursuant to escrow agreements, with the TSX Venture Exchange the following holdings are the subject of escrow provisions;

- the 36,000,720 common shares issued to purchase GENZL, on March 31, 2005, with an initial 10% released immediately subject to a hold provision of 4 months. A further 15% was released on October 6, 2005 and will be released every 6 months thereafter.
- 5,018,000 common shares held as of the date of the purchase of GENZL by a control party, with an initial 10% released immediately subject to a hold provision of 4 months. A further 15% was released on October 6, 2005 and will be released every 6 months thereafter.

At December 31, 2006 a total of 18,458,424 common shares remain subject to the provisions of the escrow agreements.

b) Share Purchase Warrants

The Company's movement in share purchase warrants is as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Fair Value</b>
	<b>#</b>	<b>\$ per share</b>	<b>\$</b>
Balance May 31, 2005	7,043,500	0.35	423
Granted – January 13,	1,666,666	0.25	83
Granted – March 30, 2006	1,666,667	0.25	83
Granted – March 31, 2006	6,332,500	0.25	317
Granted – April 19, 2006	1,666,666	0.25	83
Granted – May 26, 2006	3,333,333	0.25	167
Exercised	-	-	-
Cancelled/Expired	-	-	-
Balance May 31, 2006	<u>21,709,332</u>	<u>0.28</u>	<u>-</u>
Granted – June 6, 2006	1,666,666	0.25	132
Granted – October 13,	20,000,000	0.26	1,142
Exercised	-	-	-
Cancelled/Expired	-	-	-
<b>Balance December 31,</b>	<b><u><u>43,375,99</u></u></b>	<b><u><u>0.27</u></u></b>	<b><u><u>2,430</u></u></b>

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars, except per share amounts)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

Summary of outstanding warrants at December 31, 2006:

<b>Expiry Date</b>	<b>Exercise Price \$ per share</b>	<b>Warrants outstanding #</b>	<b>Fair value \$</b>
March 31, 2007	0.35	7,043,500	423
January 13, 2008	0.25	1,666,666	83
March 30, 2008	0.25	1,666,667	83
March 31, 2008	0.25	6,332,500	317
April 19, 2008	0.25	1,666,666	83
June 6, 2008	0.25	3,333,333	167
June 6, 2008	0.25	1,666,666	132
October 13, 2008	0.26	20,000,000	1,142
		43,375,998	2,430

The fair value of each warrant was determined on the date of grant using the Black-Scholes option pricing model, based on the following assumptions:

	<b>October 2006</b>	<b>June 2006</b>	<b>All fiscal 2006 grants</b>	<b>March 2005</b>
Risk-free interest rate	4.00%	4.00%	4.00%	2.70%
Expected life	2 years	2 years	2 years	2 years
Expected volatility	89%	89%	89%	80%
Expected dividends	-	-	-	-

**GLASS EARTH LIMITED**  
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Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars, except per share amounts)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

Option pricing models require the input of highly subjective assumptions. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing model does not necessarily provide a reliable measure of the fair value of the Company's warrants at date of grant.

c) Stock-Based Compensation

The Company may grant incentive stock options to its officers, directors, employees and consultants, for the purchase of shares of the Company. Stock options are non-transferable. The Board of Directors of the Company determines the exercise price, but it may be no less than the current market price at the time of the grant. Options have a maximum term of five years and terminate 90 days after the termination of employment or other contracting arrangement of the option holder. Vesting of options may be at the time of granting of the option or over a period as set out in each option agreement. Once approved and vested, options are exercisable at any time until expiry or termination as above.

For the seven months ended December 31, 2006, \$535,000 was recorded as compensation expense and added to Contributed Surplus in the Shareholders' Equity on the Balance Sheet for stock options granted during the period (twelve months ended May 31, 2006: \$464,000). The fair value of options was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 4% (May 31, 2006: 4%) per annum, expected volatility of 89% (May 31, 2006: 89%), expected dividend rate of nil (May 31, 2006: nil) and an expected life of 2.5 years (May 31, 2006: 2.5 years). The exercise price of all share purchase options granted was greater than or equal to the market price at the grant date.

**GLASS EARTH LIMITED****(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars, except per share amounts)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

The following stock options were outstanding at December 31, 2006:

	<b>Number of Options Issued and Vested #</b>	<b>Weighted Average Exercise Price \$ per share</b>	<b>Weighted Average Fair Value \$ per share</b>
Balance - May 31, 2005	-	-	-
Granted	6,000,000	0.1500	0.074
Exercised	-	-	-
Cancelled/Expired	(250,000)	0.1500	0.074
Balance - May 31, 2006	5,750,000	0.1500	0.074
Granted	5,390,000	0.1714	0.099
Exercised	-	-	-
Cancelled/Expired	-	-	-
<b>Outstanding – December 31, 2006</b>	<b>11,140,000</b>	<b>0.1603</b>	<b>0.088</b>
Exercisable – December 31, 2006	11,140,000	0.1603	0.088

The weighted average remaining contractual life of the options is four years and five months as of December 31, 2006.

## d) Contributed Surplus

The following summarizes contributed surplus activity during the period:

	<b>December 31, 2006 \$</b>	<b>May 31, 2006 \$</b>
Balance, beginning of period	464	-
Stock-based compensation in the period on - Stock options granted / vesting	535	464
<b>Balance, end of period</b>	<b>999</b>	464

**GLASS EARTH LIMITED**  
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Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

Included in contributed surplus are the following stock options at valuations determined using the Black-Scholes option pricing model:

<b>Expiry Date</b>	<b>Number of Units</b>	<b>Exercise Price</b>	<b>Amount (*)</b>
	<b>#</b>	<b>\$ per share</b>	<b>\$</b>
February 22, 2011	6,000,000	0.150	445
June 8, 2011	3,240,000	0.155	363
December 1, 2011	2,150,000	0.150	172
Cancelled options	(250,000)		19
	11,140,000		999

(\*) Black-Scholes valuation

**8. Related Party Transactions**

Related party transactions are in the normal course of business and are measured at the exchange amount, which is the fair value as agreed between management and the related parties.

- c) On May 15 2006, Mr. P. Liddle (a director and former shareholder of GENZL) became an employee of GENZL and received \$64,830 for the period (twelve months ended May 31, 2006: \$5,050).
- d) On April 1, 2005, Mr. S. Henderson (a director and former shareholder of GENZL) became an employee of GENZL, and received \$82,982 for the period (twelve months ended May 31, 2006: \$133,132).
- e) During the current period management fees of \$18,136 were paid to a company owned by the Hughnie Laing Trust, whose sole beneficiary is the wife of Mr. G Laing (twelve months ended May 31, 2006: \$33,000).

**GLASS EARTH LIMITED**  
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Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

- f) During the current period, \$31,946 was paid or accrued to St George Minerals Ltd, (a company of which Mr. G Laing is a director) for the provision of office and related facilities in Toronto (twelve months ended May 31, 2006: \$67,926). For the year ended May 31 2006, \$9,000 was advanced to St George Minerals, and remains outstanding at the period end. At May 31, 2006 \$7,000 was due to St George Minerals Ltd for rental and related facilities.
- g) During the current period, \$7,000 was paid to non-executive director Mr. R Billingsley for additional duties of a technical nature (twelve months ended May 31, 2006: Nil).
- h) During the current period, \$7,630 was paid to non-executive director Mr. J. Dow for additional duties undertaken by him in relation to the fund raising in New Zealand and the subsequent listing of the Company's shares on the New Zealand Exchange's Alternative Exchange (NZAX) (twelve months ended May 31, 2006: Nil).
- i) At May 31, 2006, Misape Management Inc., a company of which Mr. G Laing is a director, was due \$27,000 as reimbursement for costs incurred on behalf of the Company. At December 31, 2006 there were no amounts owing.
- j) At December 31, 2006, \$15,000 was outstanding to the Company's parent company, St Andrew Goldfields Limited, for travel expenses incurred on the Company's behalf (twelve months ended May 31, 2006: Nil).  
All outstanding amounts are expected to be repaid within the next year and have been classified as current liabilities in these financial statements.

**9. Financial Instruments**

a) Interest Rate and Currency Risk

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate or currency risks arising from the financial instruments. As at December 31, 2006 the Company held 73% of its cash and equivalents in Canadian dollars and 27% in New Zealand dollars, representing the near term expenditure to be incurred in New Zealand.

b) Credit Risk and Concentrations of Credit Risk

Financial instruments which potentially subject the Company to credit risk consist of cash and equivalents and amounts receivable.

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

The Company has no reason to believe credit loss will arise from any of the above financial instruments. The maximum amount of loss which may possibly be realized is the carrying value of the financial instruments.

c) Fair Values

The carrying amounts of cash and equivalents, amounts receivable, accounts payable and accrued liabilities approximate fair value due to the short maturity of these assets and liabilities. Adequate provision is held in respect of amounts receivable.

**10. Segmented Information**

	<b>December 31, 2006</b>	May 31, 2006
	\$	\$
Operating (Loss) by segment:		
New Zealand	<b>(144)</b>	(392)
Canada	<b>(743)</b>	(915)
Consolidated Operating Loss	<b>(887)</b>	(1,307)
Assets by Segment:		
New Zealand	<b>10,490</b>	5,543
Canada	<b>3,616</b>	1,113
Consolidated Total Assets	<b>14,106</b>	6,656
Total Liabilities by Segment:		
New Zealand	<b>566</b>	222
Canada	<b>49</b>	146
Consolidated Total Liabilities	<b>615</b>	368

**GLASS EARTH LIMITED****(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

**11. Income Taxes**

## a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the Canadian statutory tax rate of approximately 36% (May 31, 2006: 36%) were as follows:

	<b>December 31, 2006</b>	May 31, 2006
	<b>\$</b>	\$
Loss for the period / year	<u><b>(887)</b></u>	<u>(1,307)</u>
Expected income tax recovery at the statutory rate of 35.62% (Canada: 36.12%; New Zealand: 33%) (May 31, 2006: 35.18%)	<b>(316)</b>	(460)
Stock-based compensation	<b>193</b>	168
Unrealized foreign exchange	-	(104)
Share issue costs	<b>(14)</b>	(4)
Other	<b>(66)</b>	9
Change in valuation allowance	<b>203</b>	391
Provision for income taxes	<u>-</u>	<u>-</u>

## b) Future income tax asset balances:

Tax effect of net operating loss carried forward - Glass Earth Limited	<b>603</b>	515
Tax effect of net operating loss carried forward - GENZL	<b>348</b>	420
Tax effect of net operating loss carried forward - HPD	<b>19</b>	16
Valuation allowance	<u><b>(970)</b></u>	<u>(951)</u>
	<u>-</u>	<u>-</u>

The Company has tax losses available to be applied against future year's income. In order to record a future income tax benefit, it must be more likely than not that the future tax asset resulting from the tax losses available for carry forward will be realized. Given the Company's classification as a development stage company and future uncertainty regarding profitability, it is appropriate to set up a 100% valuation allowance in respect of the future income tax asset.



**GLASS EARTH LIMITED**  
**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

**12. Commitments and Contingencies**

- a) The Company had expenditure commitments as at December 31, 2006 of \$1,990,859 (31 May 2006: Nil) representing work to be undertaken in relation to the airborne geophysics campaign in the Otago region over a four month period. At December 31, 2006, \$296,953 of this commitment has been included in accounts payable.
- b) GENZL has granted a 2% production royalty to Geoinformatics Exploration Ireland Ltd ("**GEIL**") in respect of any production achieved from the Company's interests on targets identified by GENZL and GEIL in 2005.
- c) Under the terms of non-cancelable operating leases, the Company is committed to rental payments as follows:

2007	\$60,843
2008	\$52,703
2009	<u>\$5,484</u>
	<u>\$119,030</u>

**13. Subsequent Events**

a) **Newmont Mining Corporation Joint Venture - Hauraki Region**

On February 26 2007, Glass Earth's wholly owned subsidiary, GENZL, entered into an agreement with Waihi Gold Company Limited (a subsidiary of Newmont Mining Corporation) whereby Newmont will explore GENZL's extensive permit area in the Hauraki Region, North Island, New Zealand.

The Agreement terms provide that Newmont may earn an equity interest in each of the 3 sectors of the Hauraki Region (named Northern, Central and Southern) by undertaking exploration programs (including drilling) as follows:

- i) To earn an initial 65% equity in a venture area, by expending over a 4 year period;
- NZ\$1.65m (circa C\$1.37m) on the Northern Hauraki Venture Area;
  - NZ\$1.75m (circa C\$1.45m) on the Central Hauraki Venture Area;
  - NZ\$2.8m (circa C\$2.3m) on the Southern Hauraki Venture Area.

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**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

- ii) Newmont may elect to prepare a feasibility study to earn a further 10% in a venture area;
- iii) GENZL may request that Newmont arrange GENZL's share of financing in return for a further 5% equity in a venture area;
- iv) GENZL and Newmont will be liable (in proportion to their equity interests) for the Geoinformatics Exploration Inc 2% royalty on any production from identified and acknowledged targets in the Hauraki Region permit area.
- v) Newmont will be the operator

**b) GCO Minerals Company Joint Venture – Central Volcanic Region**

On February 21 2007, GENZL entered into a Letter of Intent with GCO Minerals Company ("GCO") to carry out a Joint Venture on GCO's Exploration Permits 40 656, 40 690 and 40 691 which are contiguous to GENZL's significant permit holdings, in the Central Volcanic Region of the North Island of New Zealand,

The proposed terms of the joint venture are as follows:

- i) Glass Earth to spend NZ\$500,000 (circa C\$415,000) meeting near and mid term work obligations of the GCO Permits in order to keep them in good standing;
- ii) Glass Earth to earn a 70% equity in the Permits upon expending the NZ \$500,000 and be the manager of the Joint Venture;
- iii) Subsequent to Glass Earth earning its 70% equity in the GCO Permits, GCO may elect to fund its percentage interest share of joint venture expenditure, or may elect to dilute under an agreed formula, under any successive program and budget;
- iv) The detailed joint venture agreement, to be negotiated, will include the usual matters of a dilution formula, pre emptive rights etc.

**GLASS EARTH LIMITED**

**(A Development Stage Company)**

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of Canadian dollars)*

For the seven months ended December 31, 2006 and year ended May 31, 2006

**c) Otago Regional Council Contribution to Airborne Survey – Otago Region**

On February 23 2007, the Otago Regional Council (“ORC”) provided the first tranche of funds (NZ\$280,000 – circa C\$232,000) towards its NZ\$1m (circa C\$830,000) contribution to GENZL’s Otago Region Airborne Geophysical Survey. The Survey, located in the bottom half of the South island of New Zealand is budgeted at NZ\$4m (circa C\$3.3m), commenced in mid January 2007 and is expected to take 4 months to complete.



**GLASS EARTH LIMITED**  
**For the seven months ended December 31, 2006**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*(All amounts stated in Canadian dollars, unless otherwise indicated)*

*This annual report, including the audited consolidated financial statements and this Management's Discussion and Analysis, contains certain "Forward-Looking Statements" that are prospective and reflect management's expectations regarding Glass Earth Limited's ("**Glass Earth**") future growth, results of operations, performance and business prospects and opportunities. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential mineralization and reserves, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, exploration results and future plans and objectives of Glass Earth are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Glass Earth's expectations are disclosed in its documents filed from time to time with the TSX Venture Exchange and other regulatory authorities and include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore to be mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failure to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors.*

*Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Glass Earth undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*

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## INTRODUCTION

This discussion and analysis of the operating results and financial condition of Glass Earth Limited ("**Glass Earth**", or the "**Company**") for the seven months ended December 31, 2006 should be read in conjunction with the audited consolidated financial statements and related notes for the same period, and is intended to provide the reader with a review of the factors that affected the Company's performance during the seven months ended December 31, 2006 and the factors reasonably expected to impact future operations and results.

The audited consolidated financial statements and related notes of Glass Earth have been prepared in accordance with accounting principles generally accepted in Canada ("**Canadian GAAP**") and are expressed in Canadian dollars. All amounts in this report are in Canadian dollars, except where otherwise indicated.

### Change in the ending date of Financial Year

Glass Earth has changed its financial year end from May 31 to December 31.

On July 31, 2006, St Andrew Goldfields Limited ("St Andrew") announced that it had increased its interest in the Company to 48.3%. In October 2006, St Andrew subscribed for 48.3% of the NZ\$ 10 million (approximately \$7.5 million) financing of Glass Earth, in order to maintain its equity interest in the Company. At the Annual Meeting of shareholders held on November 29, 2006, shareholders approved an increased slate of directors for the Company that included two individuals nominated by St Andrew. In December 2006, St Andrews increased its interest in the Company further, to 50.2%. With the emergence of this controlling shareholder, and the accounting requirement for St Andrew to include the consolidated financial results of Glass Earth within those of its

own company, Glass Earth believes that it would be more cost efficient and in the best interest of shareholders, for both companies to have the same financial year end.

The Company has implemented this change by having a transition year of 7-months, with the last day of the transition year being December 31, 2006 (with comparative figures for the year ended May 31, 2006).

### **Qualified Person**

The Glass Earth exploration programs are carried out under the supervision of Glass Earth's Vice President, Exploration and Chief Operating Officer, Mr. Simon Henderson, M.Sc, M.AUSIMM. Mr. Henderson meets the qualified person requirements (as defined by National Instrument 43-101) with more than 30 years of experience in the gold mining and exploration industry and is responsible for the geoscientific and technical disclosure contained in this document.

## **CORPORATE HISTORY AND NATURE OF THE BUSINESS**

Glass Earth was incorporated under the *Business Corporations Act* (British Columbia) on March 23, 1989, under the name "362293 B.C. Ltd.". On August 30, 1989, the Company changed its name to BC Report Magazine Ltd., and on March 30, 2005 to Glass Earth Limited concurrently with the completion of a Reverse Takeover ("**RTO**") of the Company by Glass Earth (New Zealand) Limited ("**GENZL**").

On March 31, 2006, the Company completed the acquisition of all the outstanding common shares of HPD New Zealand Limited ("**HPD**"), in exchange for common shares of the Company. Pursuant to the terms of the Share Exchange Agreement entered into with HPD and its shareholders, the Company issued 12,665,000 common shares and 6,332,500 share purchase warrants (with a strike price of 25 cents each for a period of 2 years) to acquire 100% of the outstanding common shares of HPD. HPD had a total of 22 Exploration and Prospecting Permits covering over 4,724 square kilometres over both the North and South Islands of New Zealand (being epithermal and mesothermal gold targets in each respective island).

The Company's common shares were re-listed on the TSX Venture Exchange in early April 2005 under the symbol "**GEL**". The Company is classified as a mining exploration / development company by the TSX Venture Exchange. Glass Earth was registered in New Zealand as an overseas company under Part 18 of the Companies Act on June 7, 2006 and obtained a secondary listing of its common shares as an Overseas Listed Issuer on the New Zealand Exchange's Alternative Exchange ("**NZAX**") on October 13, 2006.

The principal activity of Glass Earth is exploration for gold and silver in New Zealand. As at December 31, 2006, Glass Earth held the largest portfolio of gold and silver focused prospecting and exploration permits in New Zealand (over 31,000 square kilometres), including the following key territorial assets:

#### ***Hauraki Region***

Fifteen (15) advanced gold prospects, in a region that hosts the world class epithermal gold deposit at the Martha gold mine (owned by Newmont Waihi Gold Limited).

#### ***Mamaku-Muirs Region***

Seventeen (17) recently-defined gold targets, including the Muirs-Reef prospect that has historically produced 43,000 oz of gold.

#### ***Central Volcanic Region***

Seventy-four (74) epithermal gold targets identified, including 6 advanced drill-ready prospects.

#### ***Otago Region***

Glass Earth's main gold region on New Zealand's South Island, host to the 7

million ounce Macraes Mine (Oceana Gold). A data collection / geophysical intervention program covering an area of over 22,000 square kilometres commenced in 2007. Three (3) near drill-ready mesothermal gold prospects are included within this area.

## **BOARD OF DIRECTORS AND MANAGEMENT**

On December 27, 2006, St Andrew Goldfields Limited announced that it had increased its interest from 48.3% to 50.2% of the common shares of the Company. At the Annual Meeting of shareholders of the Company held on November 29, 2006, shareholders approved the appointment of the following two individuals, nominated by St Andrew Goldfields Limited, as non-executive directors of Glass Earth:

*Stephen Burns, B.A., C.A. and M.B.A.*

Mr. Burns is a director and Chairman of the Audit Committee of St Andrew Goldfields.

*Paul C. Jones*

Mr. Jones is an Executive Vice President of St Andrew Goldfields Ltd. with 45 years in the mining industry.

## **CAPITAL TRANSACTIONS AND SIGNIFICANT EVENTS**

### **Capital Transactions**

On June 6, 2006, the Company issued 3,333,333 units at 15 cents per unit, each unit consisting of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of 25 cents per share for a period of two years following the date of issue of the units.

On October 13, 2006, the Company raised gross proceeds of NZ\$10 million (approximately \$7.5 million) pursuant to the issue of a New Zealand compliant prospectus. The financing consisted of 40 million units at NZ\$0.25 per unit (approximately \$0.1875), with each unit comprising one common share and one half of a purchase warrant (called "options" in New Zealand), each whole purchase warrant entitling the holder to subscribe for one common share at NZ\$0.35 (approximately \$0.2625) per share for up to 2 years.

### **Aurora Minerals South Island Joint Venture**

In December 2006, Glass Earth entered into a Letter of Intent with Aurora Minerals Limited to carry out a joint venture on Aurora Mineral's 100% owned Macraes West Project (1,173 square kilometres), which is just west of the 2 million ounce Macraes Gold Mine in the Otago District of the South Island, New Zealand. The Aurora Mineral's license area covers the possible westward extension of the Hyde – Macraes shear that hosts the Macraes mine mineralization. Glass Earth has significant permit holdings in the Otago Region contiguous to Macraes West and the Aurora Minerals permit will extend the area covered by the Glass Earth Permits.

In terms of the joint venture, Glass Earth will be required to:

- Fund an airborne geophysical survey over Macraes West;
- Process the raw data;
- Interpret the data and identify targets; and
- Plan and recommend a follow-up exploration campaign.

Glass Earth may earn a 70% interest in the joint venture by spending NZ\$750,000 (approximately \$620,000) and will be the exploration manager. After Glass Earth has spent NZ\$750,000, Aurora may elect to fund its 30% interest of joint venture expenditure, or dilute. If Aurora Minerals dilutes its interest to 20%, it will retain such 20% as a carried interest until commencement of a bankable feasibility study. Prior to a



decision being made on commencing a bankable feasibility study, Aurora may elect to claw back to a 30% interest in the joint venture by reimbursing GENZL an amount equal to twice what it would have spent had it been contributing pro-rata for its 30%.

Subsequent expenditures would be shared in accordance with the parties' respective percentage interests in the joint venture, unless either party wished to not incur additional costs, in which case dilution of their existing equity would take place under an agreed formula.

The detailed joint venture agreement will be conditional on the consent of the Minister, pursuant to section 41 of the (New Zealand) Crown Minerals Act, Crown Minerals work program approvals and negotiation of final terms.

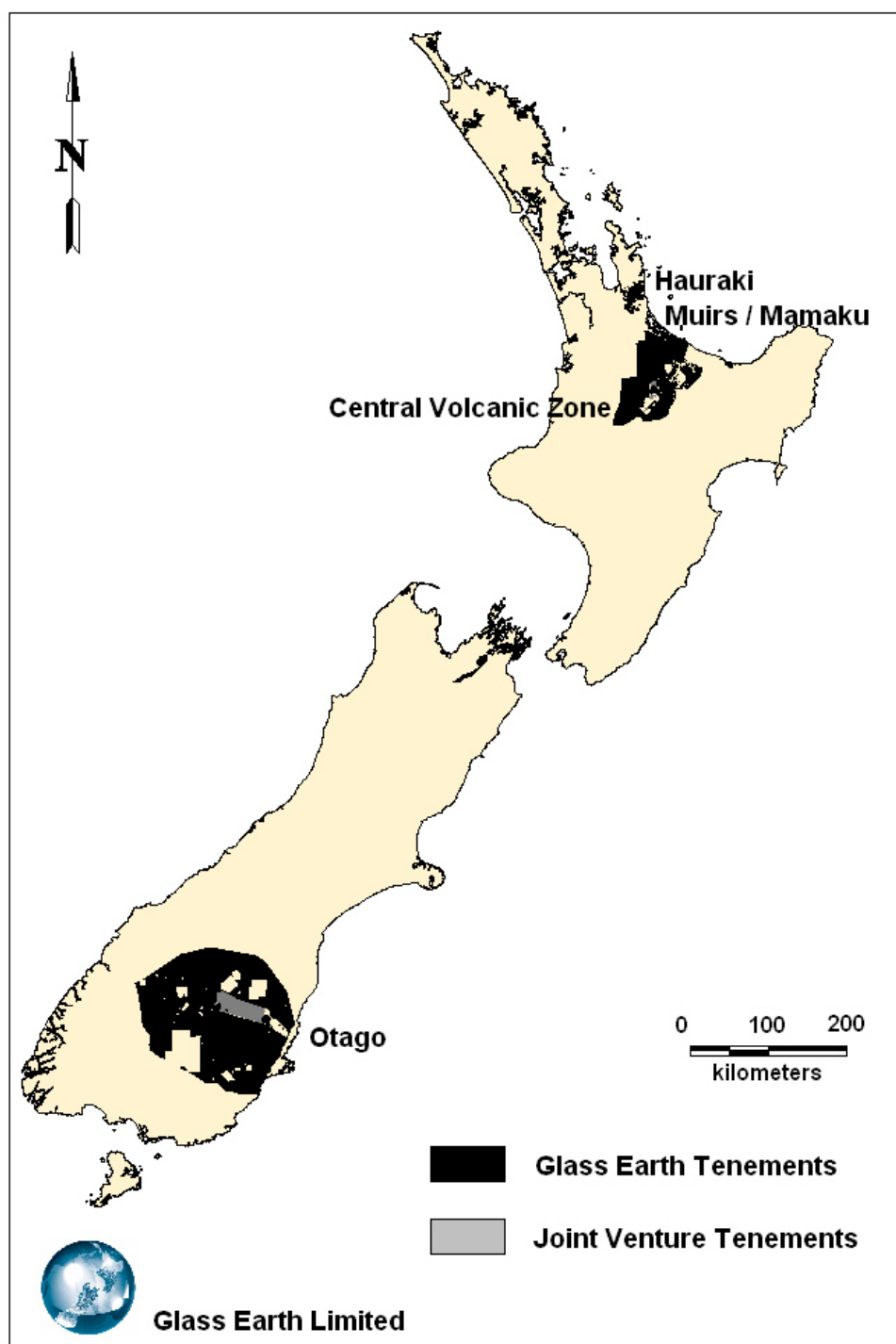
### **Otago Prospecting Permit**

On December 19, 2006, Glass Earth confirmed that it had been granted, by Crown Minerals New Zealand, the largest ever Prospecting Permit (PP 39 322) over 17,980 square kilometres in the Otago Region in the South Island of New Zealand.

### **Otago Airborne Geophysical Survey**

On January 19, 2007, the Company announced that it had commenced a major airborne geophysical campaign in the Otago mesothermal gold region, South Island, New Zealand. The airborne geophysical survey will cover an area of over 16,000 square kilometres and is the largest airborne survey of this nature ever flown in New Zealand (see Exploration Update for further information).

## EXPLORATION UPDATE



Glass Earth has established a large portfolio of gold prospecting and exploration permits in New Zealand, including:

- Advanced gold prospects in the **Hauraki-Waihi** area;
- Advanced and greenfields gold prospects at the **Mamaku-Muir**s Reef area, between Rotorua and Tauranga;

- Greenfield gold prospects in the **Central Volcanic** Region, between Rotorua and Taupo; and
- Advanced and greenfields gold prospects in the **Otago** mesothermal gold fields, including a 17,980 square kilometer prospecting permit area which it believes is prospective for Macraes style gold mineralization.

Glass Earth has built this portfolio using a “new generation” approach focused on identifying specific deposit criteria for “world class ore-bodies”. This approach uses international leading edge technology via Glass Earth’s alliance with Geoinformatics Exploration Inc. (“**Geoinformatics**”), a Canadian listed technology orientated exploration group, whose process provides a structured and disciplined approach to scientific data capture, validation, compilation, integration, modeling and target generation for gold and other mineral deposits. Geoinformatics is entitled to a two percent Net Smelter Royalty on gold produced from targets initially identified in the Hauraki and Central Volcanic Regions (the Stage 2 Target Bank), that Glass Earth owns or acquires.

The Company’s exploration activities are carried out solely in New Zealand by its wholly owned subsidiaries, GENZL and HPD. GENZL has carried out prospecting and exploration for gold and silver in the Coromandel / Central Volcanic Region (“**CCVR**”) since its incorporation in September 2002. From incorporation to May 2004, GENZL sourced legacy data and created a multidimensional single database using the Geoinformatics’ Intervention Process. As a result of this advanced method of analysis, on GENZL’s permit areas only, an initial total of 29 gold exploration targets were identified.

As a follow-up to this analysis, 44,000 line kilometers of airborne (magnetic and gravity) geophysical surveys were carried out from March to July 2005, better defining existing targets and identifying additional targets. In December 2005, GENZL was granted six Exploration Permits over 21 of the more advanced targets identified. Exploration Permits allow for higher impact work programs and are granted for a duration of five years, with a right of renewal of a further five years for up to one half of the area covered by the original Exploration Permit. The Exploration Permits granted contain certain work obligations in relation to each of the individual areas covered by the permits. The work programs are minimum obligations in order to retain individual permits in good standing. The Company expects to progress exploration activities more rapidly depending on available financing. The term of the main Prospecting Permit 39-241 was extended to 21 October 2007 in order to protect the other 85 less advanced targets.

## **Recent highlights**

- Drilling recommenced at Tahunaatara mid January 2007
- CSAMT resistivity provides encouragement at Humphrey's and Akatarewa
- Airborne geophysical survey commences in Otago

The following three regional exploration programs will be conducted or overseen from the Company's new 5,000 square foot office / sample preparation / core shed facility in Rotorua (central North Island).

### **Hauraki Region**

Following the successful compilation of legacy data and the airborne survey campaigns, numerous targets were identified and prioritized for more in-depth exploration, some of which were not included in Glass Earth's permit holdings at the time. Glass Earth moved strategically to acquire these target areas. The acquisition of HPD added 15 of these targets to Glass Earth's permit holdings, including several advanced epithermal gold targets in the Hauraki region. A Joint Venture has been concluded in February 2007 with Newmont Mining Corporation over this entire permit area. Please refer for further details in Subsequent Events at page 19.

Newmont have already done significant work and incurred expenditure in the particular areas, in particular they have flown additional airborne magnetics in specific regions over GENZL/HPD permits, with the Company's consent.

### **Mamaku – Muirs Region**

Glass Earth considers that it has identified, through its geophysical surveys, the extension of the Coromandel Volcanic Arc deep into the Mamaku-Muirs Region. The Coromandel Volcanic Arc hosts the currently producing Martha gold mine and the Hauraki Goldfield. This newly-identified extension is on 100% Glass Earth owned permits. Within the Mamaku-Muirs Region, Glass Earth has identified 17 new geophysical targets and has acquired the Muirs Reef prospect area via the HPD acquisition. The 17 potential gold targets are to be followed up with reconnaissance mapping, geochemical sampling and on-ground geophysical prospecting. This will complement intensive exploration activities on the Muirs Reef project timed to commence when access agreements are finalized. This known epithermal system is covered with up to 150 metres of volcanic ash.

### **Central Volcanic Region**

Ground-based exploration activities, including resistivity surveys, have been carried out in the Central Volcanic Region to better define drill targets. This led to the drilling of the first target in May 2006. This exploration phase requires reaching agreement with land owners and occupiers as to land access arrangements. This process is well underway and will be a continuing activity given the number of targets. Field reconnaissance mapping has commenced to further examine all anomalies using ground-based mapping of creeks, drainages and incised valleys and / or hill scarps. On each anomaly, drilling will be employed to penetrate the overburden and covering layers of rock to produce in situ rock samples for geochemical analysis. Using a suite of geochemical pathfinder minerals and judicious petrological sampling, these samples will assist in vectoring in on anomalous zones likely to represent mineralized structures. Drilling will be conducted in phases, with each phase investigating fewer anomalies.

Based on the new higher resolution datasets, 21 of the original 106 targets in the Stage 2 Target Bank were prioritized for pre-drilling resistivity and gold geochemical surveys. Completion of ground resistivity and soil gold geochemical surveying highlighted that 6 of the 14 targets tested to date have coincident magnetic lows, gravity highs, resistivity highs and traces of gold in soils (up to 30 ppb). Glass Earth completed its first exploratory drill hole into one of the 6 identified geophysical targets (Tahunaatara) in May 2006. The drill hole was planned to provide stratigraphic information of the resistive rocks prior to a more comprehensive drill program. The drill hole intersected a significant

(70 metre wide) zone of intense hydrothermal alteration and silicification with anomalous gold and silver mineralization: 51 metres at 0.1 g/t Au, 1.7 g/t Ag (174 – 225 metres). The hole ended at 357.2 metres in intense alteration. Whilst no economic gold was intersected in this drill hole the discovery of anomalous gold in a major new epithermal system offers significant scope within the large Tahunaatara geophysical anomaly (approximately 2.2 kilometres x 0.7 kilometres). It also offers encouragement for the exploration process and for the other prioritized targets in the area.

Glass Earth has completed detailed infill resistivity and gold soil geochemical surveying of its Tahunaatara target. The results are very encouraging, with eight drill-ready targets, and five other promising targets. The drilling program recommenced on November 1, 2006 on our Tahunaatara target.

Following the completion of TNTDDH 4 (the third hole drilled by the Company) a detailed review of the project, including detailed surface mapping, logging, petrological examination of the core, and a detailed evaluation of the breccias described and mapped in Fracsis has determined that the breccias can be recognized as a very low magnetic feature in the magnetics. Several gram gold results (up to 8gm/t Au) are reported in the vicinity of breccias and silicification outcropping in the southeast corner. These are coincident with a resistivity high and a strong soil geochemical anomaly. It is interpreted that these breccias represent the best source/conduit of geothermal fluid, whilst the silicified rhyhnolites are the preferred host. TNTDDH005 commenced in mid-January 2007, and was planned to test the coincidence of these features at the lowest geographic region allowing penetration to deeper levels of the hydrothermal system.

The best intercepts for TNTDDH03 and TNTDDH04 were:

TNTDDH03:	11m @ 0.45ppm (221-232m)
	4m @ 0.38ppm (246-250m)
	2m @ 0.28ppm (230-232m)
TNTDDH04A:	7m @ 0.24ppm (173-180m)
	8m @ 0.22ppm (148-156m)

The resistivity / soil geochemical sampling team continues both evaluating and infilling on targets, and progressing new targets.

## Otago Region

The Dunedin office in the South Island, New Zealand, will be directing exploration efforts in this region as follows:

Glass Earth has commenced its second Data Collation / Interrogation Project over Prospecting Permit 39 322, which was granted in December 2006. Complementing Glass Earth's Otago regional approach, the Company has also, through the acquisition of HPD, acquired near drill ready targets in Otago.

Data collection / geophysical intervention, over the recently awarded Otago Prospecting Permit and other areas, and a targeting project commenced in January 2007. The airborne geophysical survey will cover an area of over 16,000 square kilometres and is the largest airborne survey of this nature ever flown in New Zealand. The airborne geophysical survey was contracted to Fugro BTW Limited ("**FUGRO**") on December 20, 2006. It is planned to obtain a detailed geological understanding of the area allowing targeting of new areas with the potential for hardrock and/or alluvial gold. The survey will involve the helicopter-borne "RESOLVE<sup>TM</sup>" EM system combined with a magnetic gradiometer. This system targets the top 100 metres of the earth's crust (the zone of interest for Glass Earth). Two helicopters each towing a 9 metre Resolve<sup>TM</sup> drone will carry out this geophysical survey which is expected to take about 4 months to complete.

On January 8, 2007, the first geophysical crew arrived to setup, test and review operating procedures. The survey equipment is installed in / towed beneath an Aerospatiale AS 350B2 helicopter operated by Heliworks Queenstown Helicopters as

shown below. In consultation with FUGRO, the aerial survey has been divided into three flying blocks. On January 15, 2007 the aerial survey commenced in the southern block progressing in a westerly direction. The second geophysical crew and equipment arrived in late January 2007.

#### *Otago Region Alluvial Gold*

Historically, this prolific alluvial gold producing region recovered approximately 8 million ounces of gold in the 19<sup>th</sup> Century via prospecting and dredging. Glass Earth's airborne campaign will renew interest in its remaining alluvial potential.



## FINANCIAL COMMENTARY

At December 31, 2006, the Company had net working capital of \$6,912,000 (May 31, 2006: \$1,127,000), including cash and equivalents of \$7,316,000 (May 31, 2006: \$1,403,000).

See comments on adequacy of Company liquidity at the end of Financial Statistics section

### Exploration Expenditures

Mineral exploration costs, which form the bulk of the Company's expenditures, increased from \$265,000 in the first quarter to \$463,000 in the second quarter, and totaled \$1,269,000 in the seven months ended December 31, 2006. Expenditure was lower in the first quarter, which coincided with the (mild) winter period in New Zealand and staff vacations, as emphasis was placed on the preparation of the prospectus that underpinned the recent NZ\$10 million capital raising in New Zealand that required significant input from technical staff. Exploration expenditures have accumulated as set out in the Table below:

(In thousands of Canadian dollars.)

	<b>12-months to May 31, 2006</b>	<b>3-months to August 31, 2006</b>	<b>3-months to November 30, 2006</b>	<b>1-month to December 31, 2006</b>
Opening balance	1,743	5,048	5,313	5,776
Airborne surveys	700	-	-	297
Geological consulting, mapping and modeling	268	125	224	99
License rentals	41	67	13	12
Resistivity surveys	185	10	174	38
Drilling	72	63	52	95
<b>Total exploration expenditure</b>	<b>1,266</b>	<b>265</b>	<b>463</b>	<b>541</b>
Acquisition of HPD	2,039	-	-	-
<b>Closing balance</b>	<b>5,048</b>	<b>5,313</b>	<b>5,776</b>	<b>6,317</b>

Accumulated exploration expenditure by region is shown in the following table:

(In thousands of Canadian dollars.)

Project	Opening Balance	3-months to August 31, 2006	3-months to November 30, 2006	1-month to December 31, 2006	Closing Balance
Hauraki Region	1,631	9	7	1	<b>1,648</b>
Mamaku- Muirs Region	394	5	3	3	<b>405</b>
Central Volcanic Region	2,719	196	397	221	<b>3,533</b>
Otago Region	204	55	53	316	<b>628</b>
Waihi West Joint Venture	100	-	3	-	<b>103</b>
	<b>5,048</b>	<b>265</b>	<b>463</b>	<b>541</b>	<b>6,317</b>

Significant infill resistivity surveys have been carried out and combined with analysis of previous drill results in order to better define drill targets. Commencing November 2006, Glass Earth expects to conduct continuous sequential ground based resistivity and drilling over calendar 2007.

On December 20, 2006, the Company signed the contract with FUGRO for the airborne survey over the Otago region and paid the initial deposit of \$297,000.

Drilling recommenced in November 2006 with the drilling of TNTDDH03 and TNTDDH04 in the Central Volcanic region.

### **Significant Expenses of a Corporate Nature**

The net loss for the seven months ended December 31, 2006 was \$887,000 (or \$622,000 before deduction of an unrealized foreign exchange gain of \$270,000 and inclusion of a non-cash book entry of \$535,000 for stock based compensation, being the value of the stock options granted and / or vested during that period calculated in terms of the Black-Scholes Model), compared with \$1,307,000 in the year ended May 31, 2006 (or \$843,000 exclusive of a non-cash book entry of \$464,000 for stock based compensation).

Other significant expense categories included:

- a) general and administration expenses were \$26,000 in December 2006, \$148,000 in the three months ended November 30, 2006, and \$114,000 in the three months ended August 31, 2006. These costs have been rising steadily due to the increase in administrative employees, an increase in the number of offices rented, general telecommunication cost increases due to greater geographical spread of activities and \$25,000 spent on investigating geothermal initiatives in the three months ended August;
- b) professional fees of \$55,000 were incurred in December 2006, compared with \$60,000 in the three months ended November 30, 2006 and \$18,000 in the three months ended August 31, 2006. In the three months ended November 30, 2006, this related primarily to audit fees (including additional work required as a result of the New Zealand prospectus and listing), compared to legal fees incurred in respect of creating a land purchase option agreement template and advice in relation to capital transactions in the three months ended August 31, 2006. In December 2006, provision for the shortened year-end audit, including the costs associated with the appointment of a new firm of auditors, make up the bulk of the expense;
- c) net salaries (after exploration recharges) of \$40,000 in December, \$28,000 in the three months ended November 2006 and \$36,000 in the three months ended August 2006 includes two full time senior executives (the COO and CFO), and in December 2006 also included adjustments such as holiday pay; and
- d) consulting fees in December 2006 were \$3,000, compared with \$32,000 in the three months ended November 30, 2006 and \$27,000 in the three months ended August 31, 2006. Consulting fees are paid to the Finance and Investor Relations Vice Presidents, as well as a general technical consultant. The Vice President, Investor Relations resigned at the end of October 2006.

The Company employs 11 permanent staff in New Zealand, including its head office in Wellington, administration office in Auckland and exploration offices in Dunedin (Otago Region) and Rotorua (Central Volcanic Region).



## Financial Statistics

As a result of the reverse take-over of the Company by GENZL on March 30, 2005, the consolidated financial statements for the periods ended December 31, 2006, May 31, 2006 and May 31, 2005 reflect the assets, liabilities and results of operations of GENZL, the legal subsidiary, prior to the reverse takeover and the consolidated assets, liabilities and results of operations of the Company and GENZL subsequent to the reverse takeover. The consolidated financial statements are issued under the name of the legal parent (the Company), but are deemed to be a continuation of the legal subsidiary (GENZL). Scheduled below are the quarterly and annual results for GENZL alone for the first three quarters of fiscal year 2005 and consolidated with the Company for the last quarter of 2005 and for fiscal 2006 onwards. The Company has changed its financial year end from May 31 to December 31. The change has been implemented by having a transition period of 7 months with the last day of the transition period being December 31, 2006.

(In thousands of Canadian dollars, except per share amounts.)

Fiscal Period	Revenue	Net Loss	Earnings / (Loss) per Share (cents)		Total Assets	Total LT Liab.	Dividends
			Basic	Diluted			
Dec 2006	-	258	(0.20)	(0.20)	14,106	-	-
3 mths to 30 Nov 2006	-	130	(0.16)	(0.16)	13,758	-	-
3 mths to 31 Aug 2006	-	499	(0.72)	(0.72)	6,841	-	-
<b>Dec 31, 2006</b>	-	<b>887</b>	<b>(0.99)</b>	<b>(0.99)</b>	N/A	N/A	-
2006 – Q4	-	503	(0.80)	(0.80)	6,656	-	-
2006 – Q3	-	569	(0.94)	(0.94)	3,069	-	-
2006 – Q2	-	174	(0.30)	(0.30)	2,722	-	-
2006 – Q1	-	61	(0.11)	(0.11)	3,105	-	-
<b>May 31, 2006</b>	-	<b>1,307</b>	<b>(2.12)</b>	<b>(2.12)</b>	N/A	N/A	-
2005 – Q4	-	402	(0.65)	(0.65)	3,127	-	-
2005 – Q3	-	50	(0.14)	(0.14)	1,120	-	-
2005 – Q2	-	90	(0.25)	(0.25)	761	-	-
2005 – Q1	-	49	(0.14)	(0.14)	759	-	-
<b>May 31, 2005</b>	-	<b>591</b>	<b>(0.96)</b>	<b>(0.96)</b>	N/A	N/A	-

The following table summarizes the Company's cash flows and cash on hand:

(In thousands of Canadian dollars.)	<b>7 months December 31, 2006</b>	12-months May 31, 2006	12-months May 31, 2005
Cash	<b>7,316</b>	1,403	1,359
Working capital	<b>6,912</b>	1,127	1,036
Cash used by operating activities	<b>(475)</b>	(882)	(332)
Cash used by investing activities	<b>(1,437)</b>	(1,521)	(1,057)
Cash provided by financing activities	<b>7,555</b>	2,447	2,724

In addition, in June 2006, \$0.5 million gross cash was raised through the issuance of common shares. Issue costs incurred amounted to \$8,000.

In the seven months ended December 31, 2006, \$7,498,000 was raised through the issue of 40,000,000 units at NZ 25 cents per unit, each unit consisting of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of NZ 35 cents per share for a period of two years following the date of issue of the units. Issue costs of \$319,000 were incurred in the period in addition to the \$116,000 which were incurred in respect of the preparation of the New Zealand prospectus and ultimate raising of NZ\$10 million in the first quarter.

## Liquidity

The Company's core activity is gold exploration in the New Zealand, as supported by necessary administrative expenditures. The Company has 4 main project areas in New Zealand, being;

- Hauraki Region;
- Mamaku- Muirs Region;
- Central Volcanic Region; and
- Otago Region.

The **Hauraki Region** is now subject to joint venture with Newmont Mining Corporation, whereby it may earn up to a 75% equity in return for incurring exploration expenditures equivalent to the next 4 years of permit work obligations. Therefore, only limited Company monitoring expenditure is currently planned on this region.

The **Mamaku- Muirs** and **Central Volcanic Regions** are serviced by the Company's Rotorua office. Exploration expenditures, including resistivity surveys and drilling totaling approximately \$220,000 per month are budgeted for fiscal 2007.

The **Otago Region** activity will centre on the airborne geophysics survey, expected to cost approximately \$2.9m in fiscal 2007. Offsetting this will be contributions from a regional government body of \$800,000 together with any additional contributions from third parties who may wish to joint venture or acquire a copy of data over their permit area.

The Company's General and Administrative expenditures are expected to be approximately \$700,000 for fiscal 2007. The Company's cash of \$6.9m as at 31 December 2006 is considered sufficient to carry the Company through into mid 2008.

## Related Party Transactions

Related party transactions are in the normal course of business and are measured at the exchange amount, which is the fair value as agreed between management and the related parties.

- k) On May 15 2006, Mr. Peter Liddle (a director and former significant shareholder of GENZL) became an employee of GENZL. Mr. Liddle received compensation of \$64,830 in the current period (12-months ended May 31, 2006: \$5,050).
- l) On April 1, 2005, Mr. Simon Henderson (a director and former significant shareholder of GENZL) became an employee of GENZL. Mr. Henderson received compensation of \$82,982 in the current period (12-months ended May 31, 2006: \$133,132).
- m) During the current period management fees of \$18,136 (12-months ended May 31, 2006: \$33,000) were paid to a company owned by the Hughnie Laing Trust, whose sole beneficiary is the wife of a director, Mr. Glenn Laing.
- n) During the current period, \$31,946 was paid or accrued to St George Minerals Ltd, (a company of which Mr. Glenn Laing is a director) for the provision of office and related facilities in Toronto (12-months ended May 31, 2006: \$67,926). In the year ended May 31 2006, \$9,000 was advanced to St George Minerals Ltd, and remains outstanding at the period end.
- o) At May 31, 2006, Misape Management Inc., a company of which Mr. Glenn Laing is a director, was due \$27,000 as reimbursement for costs incurred on behalf of the Company. No amount is outstanding to Misape Management Inc. at December 31, 2006.
- p) During the current period, \$7,630 was paid to non-executive director, Mr. J. Dow, for additional duties undertaken by him in relation to the fund raising in New Zealand and the subsequent listing of the Company's shares on the New Zealand Exchange's Alternative Exchange (NZAX).
- q) During the current period, \$7,000 was paid to non-executive director, Mr. Richard Billingsley, for additional duties undertaken by him of a technical nature (12-months ended May 31, 2006: \$Nil).
- r) At December 31, 2006, \$15,000 was outstanding to the Company's parent company, St Andrew Goldfields Limited, for travel expenses incurred on behalf of the Company (twelve months ended May 31, 2006: \$Nil).

All outstanding amounts are expected to be repaid within the next year and have been classified as current liabilities in the financial statements.

## Other Matters

### *Use of Financial Instruments*

In the seven months ended December 31, 2006, Glass Earth did not enter into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. The principal financial instruments affecting the Company's financial condition and results of operations are currently its cash, amounts receivable and prepayments, and accounts payable and accrued liabilities. Foreign currency exposure is minimized by retaining the majority of cash (approximately 70%) in Canadian dollar denominated instruments. Funds expected to be expended in New Zealand dollars in the short-term are held in New Zealand dollar denominated investments (approximately 30%).

### *Contractual Obligations and Commitments*

- a) GENZL had expenditure commitments as at December 31, 2006 of \$1,990,859 (31 May 2006: Nil) representing work to be undertaken in relation to the airborne geophysics campaign in the Otago region over a four month period. At December 31, 2006, \$296,953 of this commitment has been included in accounts payable.
  - b) GENZL has granted a 2% production royalty to Geoinformatics Exploration Ireland Ltd in respect of any production achieved from the Company's interests on targets identified and placed in the Target Bank, as a result of the Intervention Project over the CCVR.
- a) Under the terms of non-cancelable operating leases, the Company is committed to rental payments as follows :

2007	\$60,843
2008	\$52,703
2009	<u>\$5,484</u>
	<u>\$119,030</u>

### *Off-Balance Sheet Arrangements and Contingent Liabilities*

Glass Earth has no off-balance sheet arrangements or contingent liabilities, not already discussed above.

## Critical Accounting Policies and Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. These estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances.

The Company's significant accounting policies are those that affect its consolidated financial statements, and are summarized in Note 4 of the audited consolidated financial statements for the period ended December 31, 2006. Critical accounting policies and estimates in the period included capitalization of the costs relating to the acquisition, exploration and development of non-producing resource properties and the recognition of impairment of those assets, the allocation of proceeds on the purchase or sale of assets, the valuation of stock based compensation, warrants and tax accounts, and contingent liabilities.

Actual results could differ from these estimates.

### *Mineral Properties*

The decision to capitalize exploration expenditures, and the timing of the recognition that capitalized exploration is unlikely to have future economic benefits, can materially affect the reported earnings of the Company. Glass Earth follows Canadian GAAP. In line with accepted industry practice for exploration companies, the Company has adopted the policy of deferring property specific acquisition, exploration and development costs. Deferred costs relating to properties that are relinquished, or where continued exploration is deemed inappropriate, are written off in the year such assessment is made. If Glass Earth adopted a policy of expensing all exploration costs, the Company's asset base, shareholders' equity, and loss from operations would be materially different. These deferred costs will be amortized on the unit-of-production basis over the estimated useful lives of the properties following the commencement of production. The cost of mineral properties includes any cash consideration paid, and the fair market value of shares issued on the acquisition of property interests, if any. The recorded amounts represent actual expenditures incurred and are not intended to reflect present or future values. The Company reviews capitalized costs on its property interests on a periodic, or at least annual, basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

### **Asset retirement obligations**

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its exploration, development or mining properties. This amount is initially recorded at its discounted present value, with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral properties and deferred exploration costs and amortized over the useful life of the properties.

As the Company does not currently have any material legal obligations relating to the reclamation of its mineral properties, the adoption of this standard had no impact on the accounts of the Company.

## **SUBSEQUENT EVENTS**

### **1. Newmont Mining Corporation Joint Venture - Hauraki Region**

On February 26 2007, Glass Earth's wholly owned subsidiary, GENZL, entered into an agreement with Waihi Gold Company Limited (a subsidiary of Newmont Mining Corporation) whereby Newmont will explore GENZL's extensive permit area in the Hauraki Region, North Island, New Zealand.

The Agreement terms provide that Newmont may earn an equity interest in each of the 3 sectors of the Hauraki Region (named Northern, Central and Southern) by undertaking exploration programs (including drilling) as follows:

vi) To earn an initial 65% equity in a venture area, by expending over a 4 year period;

- NZ\$1.65m (circa C\$1.37m) on the Northern Hauraki Venture Area;
- NZ\$1.75m (circa C\$1.45m) on the Central Hauraki Venture Area;
- NZ\$2.8m (circa C\$2.3m) on the Southern Hauraki Venture Area.

vii) Newmont may elect to prepare a feasibility study to earn a further 10% in a venture area;

viii) GENZL and Newmont will be liable (in proportion to their equity interests) for the Geoinformatics Exploration Inc 2% royalty on any production from identified and acknowledged targets in the Hauraki Region permit area.

ix) Newmont will be the operator

### **2. GCO Minerals Company Joint Venture – Central Volcanic Region**

On February 21 2007, GENZL entered into a Letter of Intent with GCO Minerals Company ("GCO") to carry out a Joint Venture on GCO's Exploration Permits 40 656, 40 690 and 40 691 which are contiguous to GENZL's significant permit holdings, in the Central Volcanic Region of the North Island of New Zealand,

The proposed terms of the joint venture are as follows:

- a. Glass Earth to spend NZ\$500,000 (circa C\$415,000) meeting near and mid term work obligations of the GCO Permits in order to keep them in good standing;
- b. Glass Earth to earn a 70% equity in the Permits upon expending the NZ \$500,000 and be the manager of the Joint Venture;
- c. Subsequent to Glass Earth earning its 70% equity in the GCO Permits, GCO may elect to fund its percentage interest share of joint venture expenditure, or may elect to dilute under an agreed formula, under any successive program and budget;
- d. The detailed joint venture agreement, to be negotiated, will include the usual matters of a dilution formula, pre-emptive rights etc.

### **3. Otago Regional Council Contribution to Airborne Survey – Otago Region**

On February 23 2007, the Otago Regional Council (“ORC”) provided the first tranche of funds (NZ\$280,000 – circa C\$232,000) towards its NZ\$1m (circa C\$830,000) contribution to GENZL’s Otago Region Airborne Geophysical Survey. The Survey, located in the bottom half of the South island of New Zealand is budgeted at NZ\$4m (circa C\$3.3m), commenced in mid January 2007 and is expected to take 4 months to complete.

### **OUTLOOK**

By unlocking the value in the data available and enabling objective targeting and ranking through the conversion of data into information and from there into knowledge, Glass Earth is building a predictive framework for the discovery of new gold deposits. This approach ensures ongoing objectivity for individual prospects, discarding of potential failures, and an enhanced understanding of the multidimensional geology and mineral deposit process. The Company has already applied this process in the Hauraki / Central Volcanic Regions, where the Data Intervention project kick-started the generation of new gold targets and was augmented by the implementation of two major airborne geophysical surveys. Glass Earth has commenced ground verification of its portfolio of targets through drilling.

Glass Earth has commenced its second Data Collation / Interrogation project in the Otago mesothermal gold region, with an integrated geological data base compilation and airborne geophysical survey program similar to the one completed in the Hauraki / Central Volcanic Regions.

Glass Earth’s pipeline of prospects at different stages of development offers a well-balanced portfolio of quality exploration prospects.

Endorsement of this approach was obtained by Glass Earth entering into joint ventures with Newmont Mining Corporation on the Company’s Waihi West exploration permit alongside the Martha mine and the Hauraki Region permit portfolio.

Glass Earth’s medium term aim is to develop into a significant gold producer, but also sees earlier opportunities to create and capture value purely through successful exploration. The worldwide exploration industry has been severely diminished by acquisition and merger, which has dramatically reduced the commitment to greenfields exploration. Glass Earth intends to exploit a potential valuable gap by generating and managing the early stages of resource identification and development of world-class gold deposits. Delineation of such resources can generate significant premium and value-add at the exploration stage.

Recent financing activities in Canada and New Zealand should provide Glass Earth with adequate exploration funding through to 2008.

For additional information, please refer to the Company’s website at [www.glassearthlimited.com](http://www.glassearthlimited.com) and for regulatory filings, including news releases, please refer to [www.SEDAR.com](http://www.SEDAR.com).

## **RISKS, UNCERTAINTIES AND OTHER ISSUES**

Glass Earth's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future. Glass Earth's common shares should be considered speculative.

### **Nature of Mineral Exploration and Development Projects**

The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into mines. Glass Earth's properties are in the exploration stage and at present do not contain a known body of commercial ore. The proposed exploration programs are an exploratory search for such a deposit. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

Glass Earth's operations are subject to all the hazards and risks normally associated with the exploration for gold and silver, any of which could result in damage to life, or property, or the environment. The Company's operations may be subject to disruptions caused by unusual or unexpected formations, formation pressures, fires, power failures, flooding, explosions, cave-ins, landslides, the inability to obtain suitable or adequate equipment or machinery, labour disputes or adverse weather conditions. Although the Company maintains insurance to cover normal business risks, the availability of insurance for many of the hazards and risks is extremely limited or uneconomical at this time. Through high standards and continuous improvement, the Company works to reduce these risks.

In the event the Company is fortunate enough to discover gold and/or silver deposits, the economics of commercial production depend on many factors, including the cost of operations, the grade of the gold and/or silver and any associated minerals, proximity to infrastructure, metal prices, financing costs and Government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of these factors could adversely affect the economics of commencement or continuation of commercial production.

The profitability of the Company's operations will be dependent, inter alia, on the market prices of gold and silver, which are affected by numerous factors beyond the control of the Company, including international economic and political conditions, levels of supply and demand, and international currency exchange rates.

Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land available for exploration, the availability of suitable contractors, and other factors. If mineralization is discovered, it may take several years in the initial phases of exploration until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves through drilling, to determine the optimal metallurgical process and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves.

### **Financing risk, until such time as the Company is cash flow positive**

In the absence of cash flow from operations, Glass Earth relies on the capital markets to fund operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional finance could result in delay or the indefinite postponement of further exploration and the development of the Company's properties.



## **Licenses and Permits, Laws and Regulations**

Glass Earth's exploration activities require permits from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. Glass Earth draws on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies.

The Company believes that it holds, or has applied for, all necessary licenses and permits under applicable laws and regulations and believes it is presently complying in all material respects with the terms of such licenses and permits. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Government approvals and permits are required in connection with the exploration activities proposed for the properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

## **Environmental**

Exploration, development and mining operations are subject to various environmental laws and regulations including, for example, those relating to waste treatment, emissions and disposal, and companies must generally comply with permits or standards governing, among other things, tailing dams and waste disposal areas, water consumption, air emissions and water discharges. Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. Glass Earth's right to exploit any minerals it discovers is subject to various reporting requirements and to acquiring certain Government approvals and there is no assurance that such approvals, including environmental approvals, will be granted without inordinate delays or at all.

## **Claim Titles and Aboriginal Rights**

Aboriginal rights in New Zealand reside in the indigenous population known as Maori. Maori, individually or collectively may advance claims on Crown properties, or other types of tenure, with respect to which mining rights have been conferred. Glass Earth is not aware of any such land claims having been asserted or any legal actions relating to Maori issues having been instituted with respect to any of the Company's properties. The legal basis of a land claim is a matter of considerable legal complexity and the impact of a land claim settlement and self-government agreements cannot be predicted with certainty. In addition, no assurance can be given that a broad recognition of Maori rights by way of a negotiated settlement or judicial pronouncement would not have an adverse effect on the Company's activities. Such impact could be marked and in certain circumstances, could delay or even prevent the Company's exploration or mining activities. The Company is aware of the mutual benefits afforded by a co-operative relationship with the Maori, in conducting exploration activity and is supportive of measures established to achieve such cooperation.

## **Dependence on Key Personnel**

The Company's performance is dependent upon the performance and continued services of its current key management. While it has entered into contracts and adopted a stock option plan with the aim of securing the services of the existing management and staff, the retention of their services cannot be guaranteed. Accordingly, the loss of any key management of the Company may have an adverse effect on the future of the Company's business. The Company competes with numerous other companies and individuals in the search for, and acquisition of mineral claims, leases and other mineral

interests as well as for the recruitment and retention of qualified employees and contractors.

### **Joint Ventures**

The Company holds, and expects to hold in the future, interests in joint ventures. Joint ventures may involve special risks associated with the possibility that the joint venture partners may:

- have economic or business interests or targets that are inconsistent with those of the Company;
- be unwilling or unable to fulfill their obligations under the joint venture or other agreements;
- take action contrary to the Company's policies or objectives; or
- experience financial or other difficulties.

Any of the foregoing may have a material adverse effect on the results of operations or financial condition of the Company.

### **Conflicts of Interest**

Certain of the Company's directors, officers and significant shareholders are or may become shareholders, directors and/or officers of other natural resource companies, and, to the extent that such other companies may participate in ventures with the Company, these individuals may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or of its terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which one or more directors or officers may have a conflict. From time to time, the Company, together with other companies, may be involved in a joint venture opportunity where several companies participate in the acquisition, exploration and development of natural resource properties, thereby permitting the Company to be involved in a greater number of larger projects with an associated reduction of financial exposure in any given project. The Company may also assign all or a portion of its interest in a particular project to any of these companies due to the financial position of the other company or companies. In accordance with the laws of the province of British Columbia, the directors are required to act honestly and in good faith with a view to furthering the best interest of Glass Earth. In determining whether or not the Company will participate in a particular program or transaction and the terms of such participation, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no procedures or mechanisms to deal with conflicts of interest.

## **RECENT CANADIAN ACCOUNTING DEVELOPMENTS**

Recently issued Canadian accounting pronouncements from the Canadian Institute of Chartered Accountants ("CICA") are outlined below. Glass Earth does not believe that it will be significantly affected by these pronouncements.

In April 2005, the CICA issued Section 1530 of the CICA Handbook on "Comprehensive Income". This Section applies to fiscal years beginning on or after October 1, 2006. It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders' equity that results from transactions and events from sources other than the Company's shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses resulting from changes in fair value of certain financial instruments. The adoption of this section on January 1, 2007 implies that the Company will in future present comprehensive income and its components in a separate financial statement.

In April 2005, the CICA issued Section 3855 of the CICA Handbook on "Financial Instruments – Recognition and Measurement Income". This Section applies to fiscal years beginning on or after October 1, 2006. It describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. The Company does not believe that the adoption of this pronouncement on January 1, 2007 will have a material impact on its financial reporting and disclosures.

In April 2005, the CICA issued Section 3865 of the CICA Handbook on "Hedges". This Section applies to fiscal years beginning on or after October 1, 2006. The recommendations expand the guidelines exposed in Accounting Guideline 13 (AcG-13), Hedging Relationships. This Section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from the derivative financial instruments in the same period as for those related to the hedged item. The Company does not believe that the adoption of this pronouncement on January 1, 2007 will have a material impact on its financial reporting and disclosures.

### **Multilateral Instrument 52-109**

#### *Evaluation of disclosure controls and procedures*

Public companies are required to perform an evaluation of disclosure controls and procedures annually and to disclose management's conclusions about the effectiveness of these disclosure controls and procedures in its annual Management's Discussion and Analysis. The Company has established, and is maintaining, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is disclosed in annual filings, interim filings or other reports, and is recorded, processed, summarized and reported within the time periods specified as required by securities regulations.

Management has evaluated the effectiveness of the Company's Disclosure Controls and Procedures as at December 31, 2006 and, given the size of the Company and the involvement at all levels of the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, believes that they are sufficient to provide reasonable assurance that the Company's disclosures are compliant with securities regulations.

### *Internal controls over financial reporting*

As at December 31, 2006 management of the Company is responsible for evaluating the design of internal control over financial reporting. The Chief Executive Officer and Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with the issuer's Generally Accepted Accounting Principles as of December 31, 2006, have not identified any changes to the Company's internal control over financial reporting in the latest interim reporting period that would materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **SUPPLEMENTAL TO THE FINANCIAL STATEMENTS**

### **Outstanding Share and Option Data**

Glass Earth's shares trade on the TSX Venture Exchange and the New Zealand Alternative Exchange ("NZAX") under the symbol "GEL". The Company is authorized to issue an unlimited number of common shares without par value. As at March 6, 2007, the following items were issued and outstanding:

- 129,902,633 common shares;
- 11,140,000 common share purchase options with an average exercise price of \$0.16 per share and expiry dates of between February 22, 2011 and December 1, 2011;
- 23,375,998 unlisted common share purchase warrants with an average exercise price of \$0.28 per share and expiry dates of between March 31, 2007 and June 6, 2008; and
- 20,000,000 listed (on the NZAX) common share purchase warrants with an exercise price of NZ\$0.35 (approximately \$0.26) per share and expiry date of October 13, 2008.

Pursuant to escrow agreements with the TSX Venture Exchange, the following holdings are the subject of escrow provisions:

- the 36,000,720 common shares issued to purchase GENZL, on March 31, 2005, with an initial 10% released immediately subject to a hold provision of 4 months. A further 15% was released on October 6, 2005 and will be released every 6 months thereafter.
- 5,018,000 common shares held as of the date of the purchase of GENZL by a control party, with an initial 10% released immediately subject to a hold provision of 4 months. A further 15% was released on October 6, 2005 and will be released every 6 months thereafter.

A total of 18,458,424 common shares remain subject to the provisions of the escrow agreement.

March 7, 2007

## CORPORATE INFORMATION

### Directors

**Glenn Laing**

President and Chief Executive Officer  
Oakville, Ontario, Canada

**Simon Henderson**

VP Exploration and Chief Operating Officer  
Wellington, New Zealand

**Peter Liddle** \*

Chief Financial Officer and Secretary  
Auckland, New Zealand

**John Dow** \*#

Non-executive Director  
Nelson, New Zealand

**Richard Billingsley** #

Non-executive Director  
Vancouver, British Columbia, Canada

**Stephen Burns** \*

Non-executive Director  
Toronto, Ontario, Canada

**Paul C. Jones**

Non-executive Director  
Golden, Colorado, USA

\* Members of the Audit Committee.

# Members of the Compensation Committee.

### Shareholders' Information

**Stock Exchange Listings**

- TSX Venture Exchange
- New Zealand Alternative Market

Symbol: **GEL**

**Annual Meeting**

The annual meeting of shareholders will be held at 11:00 a.m., Wednesday 27th June, 2007 at Suite 1750 – 1185 West Georgia Street, Vancouver, British Columbia

### Executive Offices

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**New Zealand**

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Wellington  
New Zealand  
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Fax: +61 4 903 4985

### Registrars and Transfer Agents

Computershare Investor Services Inc.

- Vancouver, British Columbia, Canada
- Auckland, New Zealand

### Auditors

KPMG  
Wellington, New Zealand

### Legal Counsel

**Canada**

Salley Bowes Harwardt LLP  
Barristers and Solicitors  
Vancouver, British Columbia

**New Zealand**

Kensington Swan  
Wellington, New Zealand

**Notes:**

**Notes:**

