# GLASS EARTH GOLD LIMITED
## (FORMERLY GLASS EARTH LIMITED)

## (A DEVELOPMENT STAGE COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**(Stated in Canadian Dollars)**

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## MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Glass Earth Gold Limited (formerly 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.

“ signed “
**Simon Henderson**
*President and Chief Executive Officer*

“ signed “
**Peter Liddle**
*Chief Financial Officer*

March 18, 2009

**AUDITOR'S REPORT TO THE SHAREHOLDERS**

We have audited the consolidated balance sheet of Glass Earth Gold Limited as at December 31, 2008 and December 31, 2007 and the consolidated statements of operations, comprehensive loss and deficit, shareholders' equity and cash flows for the years 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and December 31, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**Comments by Auditors for New Zealand Readers on Canada- NZ Reporting Differences**

In New Zealand, reporting standards for auditors require the addition of an explanatory paragraph when the financial statements are affected by conditions and events that cast substantial doubt on the company's ability to continue as a going concern, such as those described in note 2 of the consolidated financial statements. Our report to the shareholders dated March 18, 2009 is expressed in accordance with Canadian reporting standards, which do not permit a reference to such events and conditions in the auditor's report when these are adequately disclosed in the financial statements. We note that from reporting periods commencing on or after 15 December 2009 a reference to such events and conditions will be required under Canadian reporting standards.

**For New Zealand reporting standards, the additional explanatory paragraphs are as follows:**

**"Fundamental uncertainty**

In forming our unqualified opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the ability of the company and group to obtain additional financing, the discovery, development or sale of mining reserves, controlling expenditure and achievement of profitable operations. While currently the outcome is uncertain, the directors believe this matter will be resolved appropriately.

The financial statements have been prepared on a going concern basis, the validity of which wholly depends upon the company and group's ability to obtain additional financing, the discovery, development or sale of mining reserves, controlling expenditure and achievement of profitable operations. If the company and group were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the fact that assets may need to be realised at amounts other than those at which they are currently recorded in the balance sheet, and the company and group may have to provide for further liabilities that may arise. In addition, the company and group may have to reclassify fixed assets and long-term liabilities as current assets and liabilities. Our opinion is not qualified in this respect".

KPMG

**Chartered Accountants**
**Auckland, New Zealand**
**March 18, 2009**

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

| As at December 31 | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and equivalents | **1,571** | 6,096 |
| Amounts receivable | **326** | 547 |
| Advances and prepaid expenses | **103** | 140 |
| | **2,000** | 6,783 |
| **Mineral Properties** (Note 5) | **13,440** | 10,641 |
| **Property and Equipment** (Note 6) | **228** | 326 |
| | **13,668** | 10,967 |
| | **15,668** | 17,750 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable | **143** | 1,284 |
| Accrued liabilities | **34** | 65 |
| | **177** | 1,349 |
| **Future Tax Liability** (Note 11) | **586** | 810 |
| **SHAREHOLDERS' EQUITY** | | |
| **Common Shares** (Note 7(a)) | **17,212** | 16,716 |
| **Share Purchase Warrants** (Note 7(b)) | **663** | 2,594 |
| **Contributed Surplus** (Note 7(d)) | **3,886** | 1,804 |
| **Deficit Accumulated through Development Stage** | **(6,856)** | (5,523) |
| | **14,905** | 15,591 |
| **Going concern** (Note 2) | | |
| | **15,668** | 17,750 |

**APPROVED ON BEHALF OF THE BOARD**

*"signed" Simon Henderson*
**Simon Henderson, Director**

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

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

**GLASS EARTH GOLD 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 |
|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ |
| **Balance - May 31, 2005** | **57,237,634** | **3,004** | **-** | **423** | **(643)** | **2,784** |
| - Issuance of shares on private placement, net of issuance costs of $22,000 | 9,999,999 | 1,478 | - | - | - - | 1,478 |
| - Valuation of warrants issued on private placement | - | (416) | - | 416 | - - | - |
| - Funds received for private placement, shares issued on June 6, 2006 | - | 1,000 | - | - | - | 1,000 |
| - 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 |
| - Valuation of warrants issued on acquisition of HPD | - | (317) | - | 317 | - | - |
| - Stock option compensation expense | - | - | 464 | - | - - | 464 |
| Loss for the period | - | - | - | - | (1,307) | (1,307) |
| **Balance - May 31, 2006** | **79,902,633** | **6,618** | **464** | **1,156** | **(1,950)** | **6,288** |
| - 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 |

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

**GLASS EARTH GOLD 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 |
|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ |
| Loss for the period | - | - | - | - | (887) | (887) |
| **Balance - December 31, 2006** | **129,902,633** | **12,899** | **999** | **2,430** | **(2,837)** | **13,491** |
| -Issuance of shares on private placement, net of issuance costs of $24,000 | 22,140,000 | 4,404 | - | - | - | 4,404 |
| - Valuation of warrants issued on private placement | - | (587) | - | 587 | - | - |
| - Stock option compensation expense | - | - | 382 | - | - | 382 |
| Expiration of warrants | - | - | 423 | (423) | - | - |
| Loss for the period | - | - | - | - | (2,686) | (2,686) |
| **Balance – December 31, 2007** | **152,042,633** | **16,716** | **1,804** | **2,594** | **(5,523)** | **15,591** |
| -Issuance of shares on private placement, | 2,860,000 | 572 | - | - | - | 572 |
| - Valuation of warrants issued on private placement | - | (76) | - | 76 | - | - |
| - Stock option compensation expense | - | - | 75 | - | - | 75 |
| Expiration of warrants | - | - | 2,007 | (2,007) | - | - |
| Loss for the period | - | - | - | - | (1,333) | (1,333) |
| **Balance – December 31, 2008** | **154,902,633** | **17,212** | **3,886** | **663** | **(6,856)** | **14,905** |

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

**GLASS EARTH GOLD LIMITED**
**(A Development Stage Company)**
Consolidated Statements of Operations, Comprehensive Loss and Deficit
*(in thousands of Canadian Dollars, except per share amounts)*

| For the year ended December 31 | **2008** **$** | 2007 $ |
|---|---|---|
| **Revenue** | **24** | 285 |
| **Expenses** | | |
| Amortization | **86** | 58 |
| Cost of sales | **16** | 226 |
| Consultancy fees | **125** | 74 |
| Directors fees | **38** | - |
| Exchange translation (gains) / losses | **(3)** | (9) |
| General and administration | **494** | 375 |
| GST reversal | **65** | - |
| Professional fees | **155** | 170 |
| Registry and filing | **62** | 51 |
| Salaries | **202** | 303 |
| Stock-based compensation (Note 7(c)) | **75** | 382 |
| Travel and accommodation | **64** | 98 |
| | **(1,379 )** | (1,728) |
| **Loss for the year before the undernoted** | **(1,355)** | (1,443) |
| Write off of Mineral Properties (Note 5) | **(288)** | (619) |
| Interest Income | **86** | 186 |
| **Loss before Income Taxes** | **(1,557)** | (1,876) |
| Income tax benefit/(expense) (Note 11) | **224** | (810) |
| **Net Loss and Comprehensive loss for the year** | **(1,333)** | (2,686) |
| **Deficit - beginning of year** | **(5,523)** | (2,837) |
| **Deficit - end of year** | **(6,856)** | (5,523) |
| **Loss per Share - Basic and Fully Diluted** | **(0.01)** | (0.02) |
| **Weighted average number of basic and fully diluted common shares outstanding during the year** | **154,667,564** | 131,055,125 |

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

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

| For the year ended December 31 | 2008 $ | 2007 $ |
|---|---|---|
| **Cash Provided by (used in) :** | | |
| **Operating Activities** | | |
| Net loss for the year | **(1,333)** | (2,686) |
| Adjustments for non-cash items: | | |
| Amortization | **86** | 58 |
| Write off of Mineral Properties (Note 5) | **288** | 619 |
| Income tax (benefit)/expense (Note 11) | **( 224)** | 810 |
| Exchange translation (gains) | **(3)** | (9) |
| Stock-based compensation (Note 7(c)) | **75** | 382 |
| Changes in non-cash working capital items: | | |
| Amounts receivable | **221** | (390) |
| Advances and prepaid expenses | **37** | (86) |
| Accounts payable | **(63)** | 516 |
| Accrued liabilities | **(31)** | 27 |
| **Net cash used in Operating Activities** | **(947)** | (759) |
| **Financing Activities** | | |
| Issuance of common shares, for cash | **572** | 4,428 |
| Share issue costs | **-** | (24) |
| **Net cash provided from Financing Activities** | **572** | 4,404 |
| **Investing Activities** | | |
| Expenditures on mineral properties | **(4,060)** | (4,739) |
| Acquisition of property and equipment | **(93)** | (135) |
| **Net cash used in Investing Activities** | **(4,153)** | (4,874) |
| **Net (decrease)/increase in cash and equivalents** | **(4,528)** | (1,229) |
| **Cash and equivalents - beginning of year** | **6,096** | 7,316 |
| **Foreign exchange gains on translation of monetary item** | **3** | 9 |
| **Cash and equivalents - end of year** | **1,571** | 6,096 |
| **Cash and equivalents consist of:** | | |
| **Cash** | **99** | 98 |
| **Short Term Investments** | **1,472** | 5,998 |
| | **1,571** | 6,096 |

**Supplemental Cash Flow information**

During the year no cash was paid for interest or income taxes.

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

## 1. Nature of Operations and Basis of Presentation

Glass Earth Gold Limited, incorporated under the *Business Corporations Act* (British Columbia) (the "Company"), through its wholly owned legal subsidiary Glass Earth (New Zealand) 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.

## 2. Going Concern

For the year ended December 31, 2008, the Company had a net loss of $1,333,000 (2007: $2,686,000) with an accumulated deficit at December 31, 2008 of $6,856,000 (2007: $5,523,000) and no source of operating cash flow. The Company's ability to meet its obligations and continue as a going concern is wholly dependent upon its ability to obtain additional financing, the discovery, development or sale of mining reserves and achievement of profitable operations and controlling expenditure in relation to existing cash resources The Directors have approved a budget which forecasts the Company will become cash negative by June 2010 without additional financing, and/or the discovery, development or sale of mining reserves and/or the achievement of profitable operations. The above factors, if they remain unchanged, raise substantial doubt about the Company's ability to continue as a going concern beyond this time (refer to note 5 on Mineral Properties for further details).

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 and by controlling expenditure over the next twelve months. It is not possible to predict whether these efforts will be successful or whether the Company will attain profitable levels of operation.

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.

## 3. GENZL Reverse Takeover

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, the consolidated financial statements 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).

## 4. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principals. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries GENZL, HPD New Zealand Limited ("HPD") and Glass Earth Geothermal Limited. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are excisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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, 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.

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Each area of interest is limited to an individual geological area which is related to a known or probable mineral resource and is considered to constitute a favourable environment for the presence of mineral deposits.
Exploration and evaluation expenditure for each area of interest is carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or

- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which no longer satisfies the above policy is written off. In addition, a provision is made against accumulated exploration expenditure where the directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the provision is charged against the results for the year.

Expenditure is not carried forward in respect of any area of interest unless the company's rights of tenure to that area of interest are current.

c) Cash and Equivalents

Cash and equivalents include 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

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation.

Subsequent Costs
The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation
Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property and equipment at the following rates:

| | |
|---|---|
| Computer Equipment | 3 years |
| Motor Vehicles | 5 years |
| Leasehold Improvements | 4 years |
| Office Furniture & Equipment | 10 years |

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 amortization which is translated at historical rates. Exchange gains and losses on translation are included in the Consolidated Statements of Operations, Comprehensive Loss and Deficit.

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.

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) Loss Per Share

Loss per share is computed by dividing the 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.

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.

k) Revenue

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of worked performed.

l) Financial Instruments

Effective January 1, 2007, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income; Section 3855, Financial Instruments – Recognition and Measurements; Section 3861, Financial Instruments – Disclosure and Presentation; and Section 3865, Hedges.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are recorded at fair value. Accounts receivables are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended December 31, 2008 and 2007.

m) Farm-In

Expenditure incurred on exploration "farm-in" projects is capitalized while the farm-in obligations are being undertaken. Should an equity interest in the project not vest due to non-compliance of the farm-in obligations or otherwise, accumulated expenditures are written off to the Statement of Operations, Comprehensive Loss and Deficit.

n) New standards adopted and pronouncements not yet adopted

On December 1, 2006 the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

Capital Disclosures
Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new handbook section in note 12 to these financial statements.

Financial Instruments
Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new handbook section in note 9 to these financial statements.

o) Future accounting pronouncements

Goodwill and other intangible assets

In February 2008, the CICA issued Handbook Sections 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The Company will implement this standard in its first quarter of fiscal year 2009. The new standard will not have a material impact on the Company's financial statements.

Convergence with International Financial Reporting Standards ("IFRS")
On February 13, 2008 the Canadian Accounting Standards Boards confirmed that the transition to IFRS from Canadian GAAP will occur on January 1, 2011 for public entities. The Company's exploration activities are carried out solely in New Zealand where its main operating subsidiary is incorporated. Under New Zealand law the Company must lodge its group consolidated financial statements that comply with New Zealand GAAP, with the New Zealand Companies Office.

Due to the adoption of NZ IFRS by the New Zealand Accounting bodies, the Company was obliged to prepare an additional set of financial statements for the year ended December 31 2007 that complied with IFRS. These financial statements can be viewed at www.companies.govt.nz.

There were no significant differences given the nature of the Company's operations. Accordingly, the Company considers that it is well placed to transition to IFRS when required to do so in Canada.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests
The CICA issued three new accounting standards in January 2009: section 1582, Business Combinations, section 1601, Consolidated Financial Statements and section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011 The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 – Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the presentation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

p) Changes in Accounting Policies

There have been no changes in accounting policies during the year.

**GLASS EARTH GOLD LIMITED**
**(A Development Stage Company)**
Notes to Consolidated Financial Statements
*(tabular amounts in thousands of Canadian dollars)*
Years ended December 31, 2008 and 2007

## 5. Mineral Properties

| | | **2008** $ | | 2007 $ |
|---|---|---|---|---|
| **Balance – beginning of year** | | **10,641** | | 6,317 |
| **Expenditure on Projects:** | | | | |
| Airborne survey | **-** | | 1,765 | |
| Geological consulting, mapping and modeling | **1,737** | | 1,490 | |
| License rental | **300** | | 406 | |
| Resistivity surveys | **556** | | 729 | |
| Drilling | **494** | | 553 | |
| Total project expenditure for the period | | **3,087** | | 4,943 |
| Write offs of Mineral Properties | | **(288)** | | (619) |
| **Balance – end of year** | | **13,440** | | 10,641 |

The Company's cash balances are not sufficient to fund all of its multi-year work programmes in respect of its permits Please also refer to the comments under Note 1 - Going Concern. The Company intends to lodge applications to amend or defer certain work programmes and to also reduce areas covered by permits. This is a deliberate policy extension of the usual process of managing work programmes relative to available funding and prioritisation of targets.

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 January 1, 2008 $ | Expenditure to December 31, 2008 $ | Write offs to December 31, 2008 $ | **Closing Balance December 31,2008** **$** |
|---|---|---|---|---|
| Hauraki Region | 1,691 | 4 | - | **1,695** |
| Waihi West Joint Venture | 103 | - | - | **103** |
| Mamaku - Muirs Region | 924 | 655 | - | **1,579** |
| Central Volcanic Region | 4,893 | 761 | (288) | **5,366** |
| Otago Region | 3,030 | 1,667 | - | **4,697** |
| | 10,641 | 3,087 | (288) | **13,440** |

| Project | Opening Balance January 1, 2007 | Expenditure to December 31, 2007 | Write offs to December 31, 2007 | Closing Balance December 31,2007 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Hauraki Region | 1,648 | 43 | - | 1,691 |
| Waihi West Joint Venture | 103 | - | - | 103 |
| Mamaku - Muirs Region | 405 | 519 | - | 924 |
| Central Volcanic Region | 3,533 | 1,947 | (587) | 4,893 |
| Otago Region | 628 | 2,434 | (32) | 3,030 |
| | 6,317 | 4,943 | (619) | 10,641 |

A summary of joint ventures is listed below (note: no joint venture accounting has taken place for the year ended 31 December 2008 as the joint ventures or arrangements detailed below do not give rise to joint venture transactions apart from those under 'farm-in' terms) :-

**Hauraki Region**

Subsequent to the acquisition of HPD, the entire Hauraki Region was joint ventured out in February 2007 to Newmont Mining Corp (**"Newmont"**). 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;
   - Circa C$1.37m (NZ$1.65m ) on the Northern Hauraki Venture Area;
   - Circa C$1.45m (NZ$1.75m ) on the Central Hauraki Venture Area;
   - Circa C$2.3m (NZ$2.8m ) on the Southern Hauraki Venture Area.

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

iii) Glass Earth may request that Newmont arrange Glass Earth's share of financing in return for a further 5% equity in a venture area; and

iv) Glass Earth 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.

As at 31 December 2008, Newmont has expended approximately 54% of the exploration funds to earn the initial 65% equity.

**Waihi West Region**

In April 2006, Newmont Mining Corp, joint ventured into this permit area adjacent to their Martha gold/silver mine at Waihi. Under the joint venture terms, Newmont may undertake an exploration program (including drilling) as follows:

a) Initial work obligation of circa C$332,000 (NZ$400,000) within 12 months, then decision point to spend additional circa C$913,000 (NZ$1,100,000) within next 24 months to earn 60%;
b) Newmont to prepare a feasibility study to earn a further 15%;
c) Glass Earth can request that Newmont arrange Glass Earth's share of financing in return for a further 5% equity; and
d) Glass Earth remains responsible for the Geoinformatics 2% royalty on the Glass Earth interest in the Waihi West Joint Venture;

As at 31 December 2008, Newmont has expended approximately 63% of the exploration funds to earn the initial 60% equity.

**Central Volcanic Region**

In August 2007, Glass Earth entered into a joint venture with GCO Minerals Company ("**GCO**") over GCO's permit areas in the Central Volcanic Region. The permits contain several targets including Ohakuri. The terms of the joint venture were for Glass Earth to spend circa C$415,000 (NZ$500,000) meeting near and mid term work obligations of the GCO Permits in order to earn a 70% equity in the Permits. As at 31 December 2007, Glass Earth has earned this 70% equity.

**Otago Region**

a) Glass Earth has entered into a Letter of Intent with Australasia Gold Ltd to facilitate exploration on its Otago gold prospects. Its permit areas are contiguous to Glass Earth's permit holdings in the Otago Region.

   Glass Earth will earn a 70% equity in the permits, by completing exploration work to a value of CAD 105,000 (NZD 150,000).

   As at 31 December 2008, Glass Earth has expended 90% of the $105,000.

b) Glass Earth has a 70% interest in a joint venture with Aurora Minerals Limited over the area covered by the former Prospecting Permit 39-267. (now subsumed into Prospecting Permit 39-322).

c) Glass Earth has a 90% interest in a joint venture with New Zealand Minerals Limited, over their combined Otago Region tenement portfolio.

## 6. Property and Equipment

| | **2008** | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Cost | Accumulated Amortization | Net Book Value |
| | **$** | **$** | **$** | $ | $ | $ |
| Computer Equipment | **217** | **135** | **82** | 152 | 73 | 79 |
| Motor Vehicles | **174** | **54** | **120** | 210 | 34 | 176 |
| Leasehold Improvements | **-** | **-** | **-** | 56 | 14 | 42 |
| Office furniture and equipment | **48** | **22** | **26** | 32 | 3 | 29 |
| | **439** | **211** | **228** | 450 | 124 | 326 |

## 7. Shareholders' Equity

a) Common Shares

*Authorized:*
Unlimited number of common shares with no par value.

*Issued and Outstanding:*

| | **Number of Common Shares** | **Amount** |
|---|---|---|
| | **#** | **$** |
| Outstanding December 31, 2006 | 129,902,633 | 12,899 |
| Issued pursuant to private placement (i) | 22,140,000 | 4,428 |
| Share Purchase Warrant Valuation (Note 7(b)) | - | (587) |
| Share issue costs | - | (24) |
| Outstanding December 31, 2007 | 152,042,633 | 16,716 |
| Issued pursuant to private placement (ii) | 2,860,000 | 572 |
| Share Purchase Warrant Valuation (Note 7(b)) | - | (76) |
| **Outstanding December 31, 2008** | **154,902,633** | **17,212** |

(i) On December 13, 2007, 22,140,000 common shares were issued for 20 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 30 cents per share for a period of two years following the date of issue of the Units.

(ii) On January 30, 2008, 2,860,000 common shares were issued for 20 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 30 cents per share for a period of two years following the date of issue of the Units.

(iii) As at the balance sheet date, no common shares remain subject to the provisions of any escrow provisions. (December 31, 2007: 6,152,808).

b) Share Purchase Warrants

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

| | Number of Warrants | Weighted Average Exercise Price | Fair Value | Weighted Average Fair Value |
|---|---|---|---|---|
| | # | $ per share | $ | $ per share |
| Balance December 31, 2006 | 43,375,998 | 0.27 | 2,430 | 0.06 |
| Granted – December 13, 2007 | 11,070,000 | 0.30 | 587 | 0.05 |
| Exercised | - | - | | - |
| Expired | (7,043,500) | - | (423) | - |
| Balance December 31, 2007 | 47,402,498 | 0.27 | 2,594 | 0.05 |
| Granted – January 30, 2008 | 1,430,000 | 0.30 | 76 | 0.05 |
| Exercised | - | - | - | - |
| Expired | (36,332,498) | - | (2,007) | - |
| **Balance December 31, 2008** | **12,500,000** | **0.28** | **663** | **0.06** |

Summary of outstanding warrants at December 31, 2008:

| Expiry Date | Exercise Price | Warrants outstanding | Fair value |
|---|---|---|---|
| | $ per share | # | $ |
| December 13, 2009 | 0.30 | 11,070,000 | 587 |
| January 30, 2010 | 0.30 | 1,430,000 | 76 |
| | | 12,500,000 | 663 |

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:

| | 2008 | 2007 |
|---|---|---|
| Risk-free interest rate | 4.50% | 4.50% |
| Expected life | 2 years | 2 years |
| Expected volatility | 89% | 89% |
| Expected dividends | - | - |

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 year ended December 31, 2008, $75,000 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 (2007: $382,000). The fair value of options was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 3.14% (2007: 4.03% - 4.50%) per annum, expected volatility of 89% (2007: 89%), expected dividend rate of nil (2007: nil) and an expected life of 2.5 years (2007: 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.

The following stock options were outstanding at December 31, 2008:

| | **Number of Options Issued and Vested #** | **Weighted Average Exercise Price $ per share** | **Weighted Average Fair Value $ per share** |
|---|---|---|---|
| Balance - December 31, 2006 | 11,140,000 | 0.1603 | 0.0880 |
| Granted | 3,705,000 | 0.1914 | 0.1030 |
| Exercised | - | - | - |
| Cancelled/Expired | (600,000) | - | - |
| Balance - December 31, 2007 | 14,245,000 | 0.1683 | 0.0911 |
| Granted | 1,835,000 | 0.1396 | 0.0411 |
| Exercised | - | - | - |
| Cancelled/Expired | (735,000) | - | - |
| **Outstanding – December 31, 2008** | **15,345,000** | **0.1637** | **0.0855** |
| Exercisable – December 31, 2008 | 15,345,000 | 0.1637 | 0.0855 |

The weighted average remaining contractual life of the options is two years and five months as of December 31, 2008.

d) Contributed Surplus

The following summarizes contributed surplus activity during the period:

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of period | **1,804** | 999 |
| Stock-based compensation in the period on | | |
| - Stock options granted / vesting | **75** | 382 |
| Expiration of Share Purchase Warrants | **2,007** | 423 |
| **Balance, end of period** | **3,886** | 1,804 |

## 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.

a) Simon Henderson (a director and former shareholder of GENZL) became an employee of GENZL on April 1, 2005. He received $180,375 for the year (2007: $208,179).

b) Peter Liddle (a director and former shareholder of GENZL) became an employee of GENZL on May 15, 2006. He received $135,810 for the year (2007: $137,408).

c) During the year management fees of $85,000 were paid to a company owned by the Hughnie Laing Trust, whose sole beneficiary is the wife of Glenn Laing, a former director (2007: $60,000). The amount for the year included a termination payment.

d) During the year, $80,429 was paid to St George Minerals Ltd, (a company of which Glenn Laing is a director) for the provision of office and related facilities in Toronto (2007: $60,598). The amount for the year included a termination payment in relation to the closure of the office on 30 June 2008.

e) During the year the following Directors fees were paid to non-executive directors: - John Dow $10,781, Stephen Burns $6,094, Richard Billingsley $5,625 and Paul Jones $5,625. (2007: Nil).

f) During the year, $12,000 was paid to non-executive director Richard Billingsley for additional duties of a technical nature (2007: $12,000).

**9. Financial Risk Factors**

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

a) Market Risk

Interest rate risk – The Company had $1,571,000 in cash at December 31, 2008. The Company invests cash surplus to its operation in interest bearing accounts held in a major New Zealand chartered bank. The Company periodically assesses the quality of its investment with the bank and is satisfied with the credit rating of the bank.

Foreign currency risk – The Company's operational activities are all within New Zealand and 90% of all transactions are in New Zealand Dollars (NZD). As at December 31, 2008 the Company held 98% of its cash and equivalents in Canadian dollars (CAD) and 2% in NZD. Following the anticipated depreciation of the NZD relative to the CAD in January 2009 the Company has converted CAD 1.2m into NZD to cover expenditure to be incurred in New Zealand. CAD 0.2m has been retained in that currency for expected Canadian denominated corporate expenses in 2009/2010.

Price risk – The Company has no sales and as such, the Company has no price risk related to sales.

b) Credit Risk and Concentrations of Credit Risk

The Company is not exposed to major credit risks attributable to customers as it has none. The Company monitors the credit worthiness of its joint venture partners. The Company's cash is held in a major New Zealand chartered bank and the Company has no investments in non-bank asset-backed commercial paper.

c) Liquidity risk

Liquidity risk represents the company's ability to meet its contractual obligations. As a gold explorer with no significant revenue the Company ensures that its expenditure rate is commensurate with its cash position (see comment in Going Concern - note 2). The Company has sufficient funds being cash in the amount of $1,571,000 (2007: $6,096,000) to settle current liabilities.

Sensitivity Analysis

The Company has designated its cash as held–for-trading, which is measured at fair value. As at December 31, 2008, the carrying amount of the financial instrument equals the market value.

The Company's cash is held primarily in interest bearing accounts, the rates of which are not fixed. A 100 basis point change in the interest rate would affect the Company by an annualized amount of interest equal to approximately $15,710.
The Company's cash has been converted to the proportionate requirements of its anticipated expenditure in NZD and CAD as noted above. There is no intention to speculate in either currency as the risk has been mitigated by this action.

## 10. Segmented Information

Segment information is presented in respect of the group's geographical segment. There is one business segment which is exploring for and mining of minerals. The primary format, geographical segments, is based on the group's management and internal reporting structure.

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Operating (Loss) by segment: | | |
| New Zealand | **(737)** | (2,074) |
| Canada | **(596)** | (612) |
| Consolidated Operating Loss | **(1,333)** | (2,686) |
| Assets by Segment: | | |
| New Zealand | **15,660** | 13,022 |
| Canada | **8** | 4,728 |
| Consolidated Total Assets | **15,668** | 17,750 |
| Total Liabilities by Segment: | | |
| New Zealand | **749** | 1,969 |
| Canada | **14** | 190 |
| Consolidated Total Liabilities | **763** | 2,159 |

## 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 34% (2007: 34%) were as follows:-

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Loss for the year | **(1,557)** | (1,876) |
| Expected income tax recovery at the statutory rate of 31.60% (Canada: 34.12%; New Zealand: 30%) (2007: 33.20%) | **(492)** | (626) |
| Stock-based compensation | **26** | 130 |
| Exploration write off and impairment | **86** | 204 |
| Movement in deferred tax (see c) | **(224)** | 810 |
| Change in valuation allowance | **380** | 292 |
| Income tax (benefit)/expense | **(224)** | 810 |
| b) Operating losses- Future income tax asset balances: | | |
| Tax effect of net operating loss carried forward - Glass Earth Gold Limited | **810** | 632 |
| Tax effect of net operating loss carried forward - GENZL | **473** | 405 |
| Tax effect of net operating loss carried forward - HPD | **3** | 19 |
| Valuation allowance | **(1,286)** | (1,056) |
| | **-** | - |

The Company has tax operating 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.

| | **2008** | 2007 |
|---|---|---|
| c) Capitalised exploration expenditures - Future tax liability: | | |
| Future tax liability on capitalized | | |

| | | |
|---|---|---|
| exploration expenditure | **4,032** | 3,511 |
| Tax effect of exploration expenditure losses carried forward - GENZL | **(3,446)** | (2,701) |
| Valuation allowance | **-** | - |
| Net future tax liability | **586** | 810 |

The future tax liability of $4,032,000 reflects the future tax that would be payable on the exploration expenditure capitalized for accounting purposes. Available tax losses in respect of exploration expenditure have been offset against this future tax liability. There is a shortfall of $586,000 which is recognised in the consolidated balance sheet, with the movement of $224,000 recognised in the Statement of Operations, Comprehensive Loss and Deficit for the year.

## 12. Management of Capital

The Company defines the capital that it manages as its shareholder equity. The Company's objectives with respect to managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders. As at December 31, 2008 total managed capital was $14,905,000 (2007: $15,591,000).

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

In order to maintain or adjust its capital structure, the Company may issue new shares or sell assets to fund ongoing operations.

The Company manages its capital structure by performing the following:

- Preparing budgets and cash-flow forecasts which are reviewed and approved by the Board of Directors;
- Regular internal reporting and Board of Directors meetings to review actual versus budgeted spending and cash-flows; and
- Detailed project analysis to assess and determine new funding requirements.

## 13. Commitments and Contingencies

a) At December 31, 2008 the Company had capital commitments of $269,000 (2007: Nil), payable as follows:

| | $ |
|---|---|
| 2009 | 127 |
| 2010 | 142 |
| | 269 |

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:

| | $ |
|---|---|
| 2009 | 6 |
| 2010 | - |
| | 6 |

## 14. Subsequent Events

There were no material events subsequent to balance date that would affect the interpretation of the financial statements or performance of the company.