

GLASS EARTH GOLD LIMITED
(FORMERLY GLASS EARTH LIMITED)
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

(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.

Simon Henderson

President and Chief Executive Officer

Peter Liddle

Chief Financial Officer

April 30, 2010



AUDITOR'S REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Glass Earth Gold Limited as at December 31, 2009 and December 31, 2008 and the consolidated statements of operations, comprehensive loss and deficit, retained earnings 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, 2009 and December 31, 2008 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 1 of the consolidated financial statements. Our report to the shareholders dated April 30, 2010 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.

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. Refer to notes 1, 3(b), 3(j), 4, 12 and 13 of the financial statements. 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".

Auckland, New Zealand
April 30, 2010

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

As at December 31	2009	2008
	\$	\$
ASSETS		
Current Assets		
Cash and equivalents	132	1,571
Amounts receivable	41	326
Advances and prepaid expenses	157	103
	<u>330</u>	<u>2,000</u>
Mineral Properties (Note 4)	12,540	13,440
Property and Equipment (Note 5)	238	228
	<u>12,778</u>	<u>13,668</u>
	<u>13,108</u>	<u>15,668</u>
LIABILITIES		
Current Liabilities		
Accounts payable	305	143
Accrued liabilities	56	34
	<u>361</u>	<u>177</u>
Subscriptions for equity received in advance (Note 13)	286	-
Future Tax Liability (Note 10)	97	586
SHAREHOLDERS' EQUITY		
Common Shares (Note 6(a))	17,311	17,212
Share Purchase Warrants (Note 6(b))	111	663
Contributed Surplus (Note 6(d))	4,473	3,886
Deficit Accumulated through Development Stage	(9,531)	(6,856)
	<u>12,364</u>	<u>14,905</u>
Going concern (Note 1)		
Subsequent events (Note 13)		
	<u>13,108</u>	<u>15,668</u>

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 Retained Earnings

(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 Retained Earnings
(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
-Issuance of shares pursuant to Farm-In terms	1,100,000	55	-	-	-	55
-Issuance of shares on private placement, net of issuance costs of \$6,400	1,700,000	79	-	-	-	79
- Valuation of warrants issued on private placement	-	(35)	-	35	-	-
Expiration of warrants	-	-	587	(587)	-	-
Loss for the period	-	-	-	-	(2,675)	(2,675)
Balance - December 31, 2009	157,702,633	17,311	4,473	111	(9,531)	12,364

(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	2009 \$	2008 \$
Revenue	39	24
Expenses		
Amortization	64	86
Cost of revenue	2	16
Consultancy fees	339	125
Directors fees	-	38
General and administration	206	494
GST reversal	-	65
Professional fees	162	155
Registry and filing	44	62
Salaries	203	202
Stock-based compensation (Note 6(c))	-	75
Travel and accommodation	71	64
	(1,091)	(1,382)
Loss for the year before the undernoted	(1,052)	(1,358)
Write off of Mineral Properties (Note 4)	(2,364)	(288)
Exchange translation gains	230	3
Interest Income	22	86
Loss before Income Taxes	(3,164)	(1,557)
Income tax recovery (Note 10)	489	224
	(2,675)	(1,333)
Net Loss and Comprehensive loss for the year	(2,675)	(1,333)
Deficit - beginning of year	(6,856)	(5,523)
Deficit - end of year	(9,531)	(6,856)
Loss per Share - Basic and Fully Diluted	(0.09)	(0.04)
Weighted average number of basic and fully diluted common shares outstanding during the year	31,022,499	30,933,513

(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

	2009	2008
	\$	\$
Cash Provided by (used in) :		
Operating Activities		
Net loss for the year	(2,675)	(1,333)
Adjustments for non-cash items:		
Amortization	64	86
Write down of Mineral Properties (Note 4)	2,364	288
Income tax recovery (Note 10)	(489)	(224)
Exchange translation gains	(39)	(3)
Stock-based compensation (Note 6(c))	-	75
Changes in non-cash working capital items:		
Amounts receivable	(54)	221
Advances and prepaid expenses	(54)	37
Accounts payable	305	(63)
Accrued liabilities	308	(31)
Net cash used in Operating Activities	<u>(270)</u>	<u>(947)</u>
Financing Activities		
Issuance of common shares, for cash	85	572
Share issue costs	(6)	-
Net cash provided from Financing Activities	<u>79</u>	<u>572</u>
Investing Activities		
Expenditures on mineral properties	(1,192)	(4,060)
Acquisition of property and equipment	(95)	(93)
Net cash used in Investing Activities	<u>(1,287)</u>	<u>(4,153)</u>
Net (decrease)/increase in cash and equivalents	<u>(1,478)</u>	<u>(4,528)</u>
Cash and equivalents - beginning of year	1,571	6,096
Foreign exchange gains on translation of monetary item	39	3
Cash and equivalents - end of year	<u>132</u>	<u>1,571</u>
Cash and equivalents consist of:		
Cash	132	99
Short Term Investments	-	1,472
	<u>132</u>	<u>1,571</u>

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 Going Concern

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 Directors have confidence in the operations and prospects of the Company and have prepared these financial statements on a Going Concern basis.

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 as a Going Concern 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.

In April 2010, the Company initiated a fundraising exercise with a view to raising \$3m by private placement. At the date of this report, April 30, 2010 a total of \$1.7million of signed Unit Subscription agreements to take up shares and warrants in the offer have been received. The Directors have prepared a 12 month budget to April 30, 2011 that allows the Company to continue as a Going Concern based on the committed funding referred to above; the cash budgeted to be generated from mining activities and contributions from joint venture partners. The Directors are confident that additional subscriptions to the placement will be secured in the next few weeks which would allow for a higher level of exploration spend.

The Company is planning to meet future expenditures and obligations beyond April 2011, by raising funds through public offerings, private placements or by farm-outs of mineral properties and by controlling expenditure. It is not possible to predict whether these efforts will be successful or whether the Company will attain profitable levels of operation.

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Notes to Consolidated Financial Statements
(tabular amounts in thousands of Canadian dollars)
Years ended December 31, 2009 and 2008

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.

2. 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).

3. 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 exercisable 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 as intangible mineral properties 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

GLASS EARTH GOLD LIMITED

(A Development Stage Company)

Notes to Consolidated Financial Statements

(tabular amounts in thousands of Canadian dollars)

Years ended December 31, 2009 and 2008

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.

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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
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.

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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 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 fair value of stock options granted to non-employees is re-measured each quarter until counterparty performance is complete and any change therein is recognised during the period.

The Company's stock-based compensation plan is described in Note 6(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

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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:

- the recoverability of exploration expenditures on mineral properties;
- the valuation of tax accounts; and
- going concern

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 work performed.

l) Financial Instruments

The Company classified its cash and cash equivalents and short term investments as held-for-trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Transaction costs are expensed as incurred for all financial instruments.

m) Farm-In

Expenditures incurred on exploration "farm-in" projects are 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.

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- n) New standards adopted and pronouncements not yet adopted
(i) Mining exploration costs

On March 27, 2009 the Emerging Issues Committee of the CICA approved an abstract EIC-174 Mining Exploration Costs, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract and there was no impact on its consolidated financial statements as a result of applying this abstract.

(ii) Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ending December 31, 2009. This adoption resulted in additional disclosure as provided below.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

As this section only addresses disclosure requirements, there is no impact to the Company's operating results.

- o) **Changes in Accounting Policies**

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

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4. Mineral Properties

	2009	2008
	\$	\$
Balance - beginning of period	13,440	10,641
Expenditure on Projects:		
Geological consulting, mapping and modeling	922	1,737
License rental	260	300
Resistivity surveys	195	556
Drilling	87	494
Total project expenditure for the period	<u>1,464</u>	<u>3,087</u>
Write down of Mineral Properties (Note * below)	(2,364)	(288)
Balance - end of year	<u>12,540</u>	<u>13,440</u>

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 with the New Zealand regulatory authorities 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 drilling obligations over the next fifteen months consists of:-

- 2,000 meters of drilling across 3 permits that have accumulated exploration expenditures of \$2.9 million.
- 7,500 meters of drilling across 8 permits that have accumulated exploration expenditures of \$1.2 million.

There is no certainty of approval from the regulatory authorities. Should the Company not undertake some or all of these drilling commitments, tenure of the affected permits would be at risk and an impairment provision would be required. This would be a non cash impact on equity.

Note * : A review of exploration target rankings and relative tenure costs resulted in the relinquishment of ground and consequent write down of accumulated exploration costs associated with those 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:-

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Project	Opening Balance January 1, 2009	Expenditure to December 31, 2009	Write downs to December 31, 2009	Closing Balance December 31, 2009
	\$	\$	\$	\$
Otago Region	4,697	1,083	(44)	5,736
Hauraki Region	1,695	1	(714)	982
Waihi West Joint Venture	103	-	-	103
Mamaku - Muirs Region	1,579	282	-	1,861
Central Volcanic Region	5,366	98	(1,606)	3,858
	13,440	1,464	(2,364)	12,540

Project	Opening Balance January 1, 2008	Expenditure to December 31, 2008	Write downs to December 31, 2008	Closing Balance December 31,2008
	\$	\$	\$	\$
Otago Region	3,030	1,667	-	4,697
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
	10,641	3,087	(288)	13,440

A summary of joint ventures is listed below (note: no joint venture accounting has taken place for the year ended 31 December 2009 as the joint ventures or arrangements detailed below did not give rise to joint venture transactions that differed from those under 'farm-in' terms).

Otago Region

- a) Glass Earth has a 90% interest in a joint venture with New Zealand Minerals Limited, over their combined Otago Region tenement portfolio.
- 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) In August 2009, Glass Earth entered into a joint venture with Ophir Gold Limited to facilitate exploration and mining on their combined permits in an area of central Otago known as Ophir. Glass Earth may earn a 50% equity interest by sole funding an evaluation study and expending circa C\$185,000 (NZ\$250,000) on the joint venture area.

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- d) Glass Earth earned its 70% interest in Australasia Gold Ltd's permit areas which are contiguous to Glass Earth's permit holdings in the Otago Region.

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 areas 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 2009:

- a) Newmont had earned its initial 65% equity in the Northern Hauraki Venture Area and declined to elect to prepare a feasibility study.
- b) Newmont had expended approximately 74% and 65% respectively of the exploration funds to earn the initial 65% equities in the Central and Southern Venture Areas.
- c) On 12 February 2010, Newmont advised that it was withdrawing from earning into the Southern Venture Area.

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

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- d) Glass Earth remains responsible for the Geoinformatics 2% royalty on the Glass Earth interest in the Waihi West Joint Venture;

Glass Earth has subsequently agreed to a two year extension to the expenditure period out to 31 March 2011. As at 31 December 2009, Newmont has expended approximately 71% of the exploration funds to earn the initial 60% equity.

Central Volcanic Region

Glass Earth has relinquished its 70% interest in a joint venture with GCO Minerals Company, ("GCO joint venture") over permit areas in the CVR and written off expenditure incurred.

Write downs of Mineral Properties

A review of targets in the CVR led to the relinquishment of ground containing some lesser ranked targets. Write offs of exploration expenditures, including the GCO joint venture referred to above, incurred over several years totalled \$1,606,000 (2008: \$288,000). A review of the Otago and Hauraki regions led to the relinquishment of some lesser ranked targets. Write offs of exploration expenditures incurred over several years totalled \$44,000 and \$714,000 respectively (2008: Nil).

5. Property and Equipment

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Computer Equipment	218	174	44	217	135	82
Motor Vehicles	174	81	93	174	54	120
Office furniture and equipment	50	37	13	48	22	26
Mining Equipment	88	-	88	-	-	-
	530	292	238	439	211	228

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6. 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, 2007	152,042,633	16,716
Issued pursuant to private placement (i)	2,860,000	572
Share Purchase Warrant Valuation (Note 6(b))	-	(76)
Outstanding December 31, 2008	<u>154,902,633</u>	<u>17,212</u>
Issued pursuant to Farm-In Terms (ii)	1,100,000	55
Issued pursuant to private placement (iii)	1,700,000	85
Share Purchase Warrant Valuation (Note 6(b))	-	(35)
Share issue costs	-	(6)
Outstanding December 31, 2009	<u>157,702,633</u>	<u>17,311</u>

- (i) 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.
- (ii) On December 21, 2009, 1,100,000 common shares were issued for 5 cents per share, pursuant to Farm In terms.
- (iii) On December 29, 2009, 1,700,000 common shares were issued for 5 cents per Unit, each Unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of 10 cents per share for a period of three years following the date of issue of the Units.
- (iv) As at the balance sheet date, no common shares remain subject to the provisions of any escrow provisions. (December 31, 2008: Nil).

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b) Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price	Fair Value upon issue	Weighted Average Fair Value upon issue
	#	\$ per share	\$	\$ per share
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	0.30	663	0.06
Granted - December 29, 2009	1,700,000	0.10	35	0.02
Exercised	-	-	-	-
Expired	(11,070,000)	-	(587)	-
Balance December 31, 2009	3,130,000	0.19	111	0.03

Summary of outstanding warrants at December 31, 2009:

Expiry Date	Exercise Price \$ per share	Warrants outstanding #	Fair value \$
January 30, 2010	0.30	1,430,000	76
December 29, 2012	0.10	1,700,000	35
		<u>3,130,000</u>	<u>111</u>

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:

	2009	2008
Risk-free interest rate	0.67%	4.50%
Expected life	2 years	2 years
Expected volatility	110%	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.

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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, 2009, no options were granted. 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. The fair value of options was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 3.14% per annum, expected volatility of 89%, expected dividend rate of nil and an expected life of 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, 2009:

	Number of Options Issued and Vested #	Weighted Average Exercise Price \$ per share	Weighted Average Fair Value \$ per share
Balance - December 31, 2007	14,245,000	0.1683	0.0911
Granted	1,835,000	0.1396	0.0411
Exercised	-	-	-
Cancelled/Expired	(735,000)	-	-
Balance - December 31, 2008	15,345,000	0.1637	0.0855
Granted	-	-	-
Exercised	-	-	-
Cancelled/Expired	(3,040,000)	-	-
Outstanding - December 31, 2009	12,305,000	0.163	0.086
Exercisable - December 31, 2009	12,305,000	0.163	0.086

The weighted average remaining contractual life of the options is one year and five months as of December 31, 2009.

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d) Contributed Surplus

The following summarizes contributed surplus activity during the period:

	2009	2008
	\$	\$
Balance, beginning of period	3,886	1,804
Stock-based compensation in the period on		
- Stock options granted / vesting	-	75
Expiration of Share Purchase Warrants	587	2,007
Balance, end of period	4,473	3,886

7. 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 \$159,348 for the year (2008: \$180,375).
- b) Peter Liddle (a director and former shareholder of GENZL) became an employee of GENZL on May 15, 2006. He received \$130,375 for the year (2008: \$135,810).
- c) During the year no Directors fees were paid to non-executive directors. (2008: John Dow \$10,781, Stephen Burns \$6,094, Richard Billingsley \$5,625 and Paul Jones \$5,625).
- d) During the year, no payments were made to non-executive director Richard Billingsley for additional duties of a technical nature (2008: \$12,000).

8. 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 \$132,000 in cash at December 31, 2009. 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.

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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, 2009 the Company held 82% of its cash and equivalents in Canadian dollars (CAD) and 18% in NZD.

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 1).

Sensitivity Analysis

The Company has designated its cash as held-for-trading, which is measured at fair value. As at December 31, 2009, the carrying amount of the financial instrument equals the market value.

The carrying amounts related to Amounts Receivable and Accounts Payable and Accrued Liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments.

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 \$1,320.

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.

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9. 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.

	2009	2008
	\$	\$
Operating (Loss) by segment:		
New Zealand	(2,165)	(737)
Canada	(510)	(596)
Consolidated Operating Loss	<u>(2,675)</u>	<u>(1,333)</u>
Assets by Segment:		
New Zealand	13,050	15,660
Canada	58	8
Consolidated Total Assets	<u>13,108</u>	<u>15,668</u>
Total Liabilities by Segment:		
New Zealand	441	749
Canada	303	14
Consolidated Total Liabilities	<u>744</u>	<u>763</u>

10. 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% (2008: 34%) were as follows:-

	2009	2008
	\$	\$
Loss for the year	<u>(3,164)</u>	<u>(1,557)</u>
Expected income tax recovery at the statutory rate of 30.60% (Canada: 34.12%; New Zealand: 30%) (2008: 31.60%)	(971)	(492)
Foreign exchange (losses)/gains	401	-
Stock-based compensation	-	26
Non deductible expense	113	-
Exploration write off and impairment	709	86
Movement in deferred tax (see c)	(489)	(224)
Change in valuation allowance	(252)	380
Income tax (benefit)/expense	<u>(489)</u>	<u>(224)</u>

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b) Operating losses- Future income tax asset balances:

Tax effect of net operating loss carried forward - Glass Earth Gold Limited	877	810
Tax effect of net operating loss carried forward - GENZL	215	473
Tax effect of net operating loss carried forward - HPD	-	3
Valuation allowance	<u>(1,092)</u>	<u>(1,286)</u>
	-	-

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.

	2009	2008
c) Capitalised exploration expenditures - Future tax liability:		
Future tax liability on capitalized exploration expenditure	3,660	4,032
Tax effect of exploration expenditure losses carried forward - GENZL	(3,563)	(3,446)
Valuation allowance	-	-
Net future tax liability	<u>97</u>	<u>586</u>

The future tax liability of \$3,660,000 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 \$97,000 which is recognised in the consolidated balance sheet, with the movement of \$489,000 recognised in the Statement of Operations, Comprehensive Loss and Deficit for the year.

11. 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, 2009 total managed capital was \$12,364,000 (2008: \$14,905,000).

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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.

There were no changes in the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

12. Commitments and Contingencies

- a) At December 31, 2009 the Company had capital commitments of \$153,000 (2008: \$269,000), payable as follows:

	\$
2010	153
	<u>153</u>

- 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:

	\$
2010	9
	<u>9</u>

- d) The Company has future work program obligations in order to maintain tenure of its mineral permits. These obligations include: - permit rentals, mapping, sampling, data compilation and modeling, geophysics and geochemical programs.

In addition there are requirements to drill an aggregate 9,500 meters of drilling across 11 permits in 2010. If all drilling requirements were met, and none were deferred, the cost would be between \$364,000 and \$1,829,000 depending on the chosen style of drilling.

13. Subsequent Events

Private Placement

Included in Accrued Liabilities at year end was \$286,000 of funds subscribed for shares which were issued on January 8 2010, prior to the 1:5 consolidation approved on February 24, 2010. 5,720,000 common shares were issued, in settlement of this liability, for 5 cents per Unit each Unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of 10 cents per share for a period of three years following the date of issue of the Units.

Share Consolidation

On March 18, 2010 the Company announced the completion of a consolidation of its share capital on a five (5) old for one (1) new share basis. Upon completion of the share consolidation, a total of 32,684,526 common shares were outstanding. The Company's share, warrant and stock options structure (including any warrant/option exercise prices) were adjusted from that date.

Fundraising

On April 29, 2010 the Company announced it was seeking to raise \$3 million through non-brokered private placements of Units ("The Units") of C\$0.20 per Unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.35 per share for a period of two years following the date of issue of the Units.

As at April 30, 2010 a total of \$1.7million of signed Unit Subscription agreements to take up shares and warrants in the offer have been received. The Directors have prepared a rolling 12 month budget that allows the Company to continue as a Going Concern based on the committed funding referred to above; the cash budgeted to be generated from mining activities and contributions from joint venture partners. The Directors are confident that additional subscriptions to the placement will be secured in the next few weeks which would allow for a higher level of exploration spend.

Joint Ventures

On 12 February 2010, Newmont advised that it was withdrawing from earning into the Southern Venture Area.