

GLASS EARTH LIMITED
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

SEVEN MONTHS ENDED DECEMBER 31, 2006

(Stated in Canadian Dollars)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

Glenn Laing

President and Chief Executive Officer

Peter Liddle

Chief Financial Officer

March 7, 2007



AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Glass Earth Limited as at December 31, 2006 and the consolidated statements of operations and deficit, shareholders' equity and cash flows for the seven months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

A handwritten signature in blue ink, appearing to read 'KPMG'.

Chartered Accountants

Auckland, New Zealand

March 7, 2007

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

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

APPROVED ON BEHALF OF THE BOARD

"signed" Glenn Laing
Glenn Laing, Director

"signed" Peter Liddle
Peter Liddle, Director

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

GLASS EARTH LIMITED
(A Development Stage Company)
Consolidated Statement of Shareholders' Equity
(in thousands of Canadian Dollars except for share issuance costs)

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

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

GLASS EARTH LIMITED
(A Development Stage Company)
Consolidated Statement of Shareholders' Equity
(in thousands of Canadian Dollars except for share issuance costs)

	Common Shares	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit accumulated during the development stage	Shareholders' equity
	#	\$	\$	\$	\$	\$
- Valuation of warrants issued on acquisition of HPD	-	(317)	-	317	-	-
- Stock option compensation expense	-	-	464	-	-	464
Loss for the period	-	-	-	-	(1,307)	(1,307)
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
Loss for the period	-	-	-	-	(887)	(887)
Balance - December 31, 2006	129,902,633	12,899	999	2,430	(2,837)	13,491

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

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

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

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

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

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

Supplemental Cash Flow information

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

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

GLASS EARTH LIMITED

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Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

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

1. Nature of Operations and Basis of Presentation

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

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

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

2. Going Concern

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

GLASS EARTH LIMITED
(A Development Stage Company)

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

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

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

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

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

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

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

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

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Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

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

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

4. Significant Accounting Policies

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

a) Basis of Consolidation

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

b) Mineral Properties

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

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Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

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

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

c) Cash and Equivalents

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

d) Property and Equipment

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

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

e) Foreign Currency Translation

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

GLASS EARTH LIMITED

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

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

f) Long-Lived Asset Impairment

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

g) Income Taxes

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

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Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

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

h) Stock-based Compensation

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

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

i) Earnings (Loss) Per Share

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

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

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

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

j) Use of Estimates

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

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

5. Mineral Properties

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

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Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

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

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

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

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

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Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

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

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

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

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

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

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

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

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

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

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

6. Property and Equipment

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

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

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

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

7. Shareholders' Equity

a) Common Shares

Authorized:

Unlimited number of common shares with no par value.

Issued and Outstanding:

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

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(A Development Stage Company)

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

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

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

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

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

b) Share Purchase Warrants

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

	Number of Warrants #	Weighted Average Exercise Price \$ per share	Fair Value \$
Balance May 31, 2005	7,043,500	0.35	423
Granted - January 13, 2006	1,666,666	0.25	83
Granted - March 30, 2006	1,666,667	0.25	83
Granted - March 31, 2006	6,332,500	0.25	317
Granted - April 19, 2006	1,666,666	0.25	83
Granted - May 26, 2006	3,333,333	0.25	167
Exercised	-	-	-
Cancelled/Expired	-	-	-
Balance May 31, 2006	21,709,332	0.28	1,156
Granted - June 6, 2006	1,666,666	0.25	132
Granted - October 13, 2006	20,000,000	0.26	1,142
Exercised	-	-	-
Cancelled/Expired	-	-	-
Balance December 31, 2006	43,375,998	0.27	2,430

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Summary of outstanding warrants at December 31, 2006:

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

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

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

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

c) Stock-Based Compensation

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

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

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

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

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

d) Contributed Surplus

The following summarizes contributed surplus activity during the period:

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

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

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

(*) Black-Scholes valuation

8. Related Party Transactions

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

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

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

9. Financial Instruments

a) Interest Rate and Currency Risk

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

b) Credit Risk and Concentrations of Credit Risk

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

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

c) Fair Values

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

10. Segmented Information

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

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11. Income Taxes

a) Provision for income taxes

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

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

b) Future income tax asset balances:

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

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

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12. Commitments and Contingencies

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

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

13. Subsequent Events

a) Newmont Mining Corporation Joint Venture - Hauraki Region

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

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

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

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

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

The proposed terms of the joint venture are as follows:

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

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c) Otago Regional Council Contribution to Airborne Survey - Otago Region

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