

**GLASS EARTH LIMITED**  
**(A DEVELOPMENT STAGE COMPANY)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**NINE MONTH PERIOD ENDED  
SEPTEMBER 30, 2007**

**(Stated in Canadian Dollars)**

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**GLASS EARTH LIMITED**  
**(A DEVELOPMENT STAGE COMPANY)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007**

These consolidated interim financial statements are unaudited and have not been reviewed by the auditors.

**Responsibility for Consolidated Interim Financial Statements**

The accompanying consolidated financial statements for Glass Earth Limited have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2006 audited annual financial statements. Only significant accounting principles and changes in accounting principles have been disclosed in these consolidated interim financial statements.

These consolidated interim financial statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent on future events. Therefore estimates and approximations have been made using careful judgment.

Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated interim financial statements, management is satisfied that these consolidated interim financial statements have been fairly presented. This disclosure has been approved by the Board of Directors.

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

As at	<b>September 30 2007 (Unaudited) \$</b>	December 31 2006 (Audited) \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and equivalents	2,625	7,316
Amounts Receivable	511	157
Advances and prepaid expenses	28	54
	<u>3,164</u>	<u>7,527</u>
Mineral Properties (Note 4)	10,021	6,317
Property and Equipment (Note 5)	273	262
	<u>10,294</u>	<u>6,579</u>
	<u>13,458</u>	<u>14,106</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	485	577
Accrued liabilities	45	38
	<u>530</u>	<u>615</u>
<b>SHAREHOLDERS EQUITY</b>		
Common Shares (Note 6(a))	12,899	12,899
Share Purchase Warrants (Note 6(b))	2,007	2,430
Contributed Surplus (Note 6(d))	1,580	999
Deficit Accumulated through Development Stage	(3,558)	(2,837)
	<u>12,928</u>	<u>13,491</u>
Going concern (Note 2)		
	<u>13,458</u>	<u>14,106</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 interim financial statements.)*

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**  
Consolidated Statement of Shareholders' Equity  
*(in thousands of Canadian Dollars)*

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

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

**GLASS EARTH LIMITED**  
**(A Development Stage Company)**  
Consolidated Statement of Shareholders' Equity  
*(in thousands of Canadian Dollars)*

(Unaudited)	Common Shares	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit accumulated during the development stage	Shareholders' equity
	#	\$	\$	\$	\$	\$
- Valuation of warrants issued on acquisition of HPD	-	(317)	-	317	-	-
- Stock option compensation expense	-	-	464	-	-	464
Loss for the period	-	-	-	-	(1,307)	(1,307)
<b>Balance - May 31, 2006</b>	<b>79,902,633</b>	<b>6,618</b>	<b>464</b>	<b>1,156</b>	<b>(1,950)</b>	<b>6,288</b>
- Issuance of shares on private placement, for which funds were received in May 2006	6,666,667	-	-	-	-	-
- Issuance of shares on private placement, net of issuance costs of \$8,000	3,333,333	492	-	-	-	492
- Valuation of warrants issued on private placement	-	(132)	-	132	-	-
- Issuance of shares on New Zealand offering, net of issuance costs of \$435,000	40,000,000	7,063	-	-	-	7,063
- Valuation of warrants issued on New Zealand offering	-	(1,142)	-	1,142	-	-
- Stock option compensation expense	-	-	535	-	-	535
Loss for the period	-	-	-	-	(887)	(887)
<b>Balance - December 31, 2006</b>	<b>129,902,633</b>	<b>12,899</b>	<b>999</b>	<b>2,430</b>	<b>(2,837)</b>	<b>13,491</b>
- Stock option compensation expense	-	-	158	-	-	158
Expiration of warrants	-	-	423	(423)	-	-
Loss for the period	-	-	-	-	(721)	(721)
<b>Balance - September 30, 2007</b>	<b>129,902,633</b>	<b>12,899</b>	<b>1,580</b>	<b>2,007</b>	<b>(3,558)</b>	<b>12,928</b>

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

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

## Consolidated Interim Statements of Operations and Deficit

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

	Three months ended September 30 2007	Three months ended August 31 2006	Nine months ended September 30 2007	Nine months ended August 31 2006
<b>Revenue</b>	59	-	59	-
<b>Expenses</b>				
Amortization	15	7	43	12
Consultancy fees	16	27	40	52
Exchange translation losses/ (gains)	(15)	-	(23)	-
Financing fees	-	-	-	44
General and Administration	90	114	287	410
Professional Fees	31	18	99	144
Registry and Filing	16	3	45	21
Salaries	65	36	217	78
Stock-based compensation (Note 6(c))	-	272	158	736
Travel and accommodation	13	30	72	88
	231	507	938	1,585
<b>Loss for the period before the undernoted</b>	(172)	(507)	(879)	(1,585)
Interest Income	36	8	158	11
<b>Loss before Income Taxes</b>	(136)	(499)	(721)	(1,574)
Provision for income taxes	-	-	-	-
<b>Net Loss for the period</b>	(136)	(499)	(721)	(1,574)
<b>Deficit - beginning of period</b>	(3,422)	(1,950)	(2,837)	(1,950)
<b>Deficit - end of period</b>	(3,558)	(2,449)	(3,558)	(3,524)
<b>Loss per Share - Basic and Fully Diluted</b>	0.00	0.01	0.01	0.02
<b>Weighted average number of basic and fully diluted common shares outstanding during the period</b>	129,902,632	69,660,679	129,902,632	69,660,679

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

**GLASS EARTH LIMITED**  
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Consolidated Interim Statements of Cash Flows  
*(in thousands of Canadian Dollars)*

	<b>Three months ended September 30 2007</b>	<b>Three months ended August 31 2006</b>	<b>Nine months ended September 30 2007</b>	<b>Nine months ended August 31 2006</b>
<b>Cash Provided by (used in) :</b>				
<b>Operating Activities</b>				
Net loss for the period	(136)	(499)	(721)	(1,574)
Adjustment for non-cash items:				
Amortization	15	7	43	12
Exchange translation (gains) / losses	(15)	-	(23)	-
Stock-based compensation (Note 6(c))	-	272	158	736
Changes in non-cash working capital items:				
Amounts receivables	(293)	(16)	(354)	(67)
Advances and prepaid expenses	(5)	(17)	26	9
Accounts payables	(176)	(20)	(92)	437
Accrued liabilities	(3)	(60)	7	(320)
<b>Net Cash used in Operating Activities</b>	<b>(613)</b>	<b>(333)</b>	<b>(956)</b>	<b>(767)</b>
<b>Financing Activities</b>				
Issuance of common shares, for cash	-	500	-	3,000
Share issue costs	-	(124)	-	(177)
<b>Net Cash provided from Financing Activities</b>	<b>-</b>	<b>376</b>	<b>-</b>	<b>2,823</b>
<b>Cash flows from Investing Activities</b>				
Expenditures on mineral properties	(675)	(265)	(3,715)	(925)
Acquisition of property and equipment	(5)	(11)	(43)	(119)
Investments	-	-	-	-
<b>Net Cash used in Investing Activities</b>	<b>(680)</b>	<b>(276)</b>	<b>(3,758)</b>	<b>(1,044)</b>
<b>Net Increase in cash and equivalents</b>	<b>(1,293)</b>	<b>(233)</b>	<b>(4,714)</b>	<b>1,012</b>
<b>Cash and equivalents - beginning of period</b>	<b>3,903</b>	<b>1,403</b>	<b>7,316</b>	<b>158</b>
<b>Foreign exchange losses on translation</b>	<b>15</b>		<b>23</b>	<b>-</b>
<b>Cash and equivalents - end of period</b>	<b>2,625</b>	<b>1,170</b>	<b>2,625</b>	<b>1,170</b>
<b>Cash and equivalents consist of:</b>				
Cash	161	253	1,61	253
Short Term Investments	2,464	917	2,464	917
	<b>2,625</b>	<b>1,170</b>	<b>2,625</b>	<b>1,170</b>

**Supplemental information**

During the year the Company had no cash flows arising from interest or income taxes paid.

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

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

Glass Earth Limited (formerly known as BC Report Magazine Ltd.) (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 revenues 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.

In 2006 the Company changed its financial year end from May 31 to December 31. During 2006 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 implemented this change by having a transition period of 7 months, with the last day of the transition period being December 31, 2006.

The periods, including the comparative reporting periods, to be covered in the interim financial statements to be filed for this financial year are set out below:

- Unaudited interim financial statements for the first quarter ending March 31, 2007 (with comparative figures for the period ending February 28, 2006);
- Unaudited interim financial statements for the second quarter ending June 30, 2007 (with comparative figures for the period ending May 31, 2006);
- Unaudited interim financial statements for the third quarter ending September 30, 2007 (with comparative figures for the period ending August 31, 2006).

## **2. Going Concern**

These consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, 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



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the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

For the period ended September 30, 2007, the Company had a net loss of \$721,000 and accumulated deficit of \$3,558,000. 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. Significant Accounting Policies**

The significant accounting policies reflected in these interim financial statements have been outlined below and are set out in more detail in the audited financial statements for the year ended December 31, 2006.

a) Basis of Consolidation

These consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries GENZL and HPD. 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 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

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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 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

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 Interim Statements of Operations.

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f) Use of Estimates

The preparation of consolidated interim 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 interim 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, 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 interim financial statements.

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**4. Mineral Properties**

	September 30, 2007	December 31, 2006
	\$	\$
<b>Balance - beginning of period</b>	<b>6,317</b>	5,048
<b>Expenditure on Projects:</b>		
Airborne survey	1,539	297
Geological consulting, mapping and modeling	984	448
License rental	445	92
Resistivity surveys	347	222
Drilling	389	210
Total project expenditure for the period	<u>3,704</u>	<u>1,269</u>
<b>Balance - end of period</b>	<u><b>10,021</b></u>	<u><b>6,317</b></u>

- 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.

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

Project	Opening Balance January 1, 2007 \$	Expenditure to September 30, 2007 \$	Closing Balance September 30, 2007 \$
Central Volcanic Region	3,533	1,479	5,012
Mamaku - Muirs Region	405	197	602
Hauraki Region	1,648	43	1,691
Otago Region	628	1,985	2,613
Waihi West Joint Venture	103	-	103
	<u>6,317</u>	<u>3,704</u>	<u>10,021</u>

Project	Opening Balance June 1, 2005 \$	Re-allocation as at December 31, 2005 \$	Expenditures to December 31, 2006 \$	Acquisition of HPD \$	Closing Balance December 31, 2006 \$
Central Volcanic Region	1,743	486	1,304	-	3,533
Mamaku-Muirs Region	-	184	17	204	405
Hauraki Region	-	-	17	1,631	1,648
Otago Region	-	-	424	204	628
Waihi West Joint Venture	-	93	10	-	103
	<u>1,743</u>	<u>763</u>	<u>1,772</u>	<u>2,039</u>	<u>6,317</u>

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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. 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 EP. 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 except for:-

- From March 31, 2006, the Waihi West project (EP 40 767) is subject to a farm-in, whereby up to 80% may be earned by the incoming party upon expending NZ\$1.5 million (approximately \$1.1 million), preparation of a feasibility study and arranging of development finance.
- From February 26, 2007, the Hauraki Region project is subject to a farm-in, whereby up to 80% may be earned by the incoming party upon expending NZ\$6.2 million (approximately \$5.1 million), preparation of a feasibility study and arranging of development finance.
- The Otago Region project is subject to a farm-in whereby the incoming party will contribute its PP 39-320 and pay 12.5% of Glass Earth's net Otago Region Airborne Geophysical Survey and Processing Costs, which shall not exceed NZD 3.5m (CAD 2.6m) in return for a 10% equity in the combined Otago permit portfolio.

**5. Property and Equipment**

	September 30, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Computer Equipment	140	50	90	122	28	94
Motor Vehicles	144	21	123	126	8	118
Leasehold Improvements	56	7	49	40	1	39
Office furniture and equipment	12	1	11	12	1	11
	<b>352</b>	<b>79</b>	<b>273</b>	<b>300</b>	<b>38</b>	<b>262</b>

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**6. Shareholders' Equity**

a) Common Shares

*Authorized:*

Unlimited number of common shares with no par value.

*Issued and Outstanding:*

	<b>Number of Common Shares</b>	<b>Amount</b>
	<b>#</b>	<b>\$</b>
Outstanding May 31, 2005	57,237,634	3,004
Issued pursuant to private placement (i)	3,333,333	500
Issued pursuant to private placement (ii)	3,333,333	500
Issued pursuant to acquisition of HPD (iii)	12,665,000	1,900
Issued pursuant to private placement (iv)	3,333,333	500
Issued pursuant to private placement (v)	-	1,000
Share Purchase Warrant Valuations (Note 7(b))	-	(733)
Share issue costs	-	(53)
Outstanding May 31, 2006	79,902,633	6,618
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)
<b>Outstanding December 31, 2006 and September 30, 2007</b>	<b>129,902,633</b>	<b>12,899</b>

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- (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.



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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.

b) Share Purchase Warrants

Summary of outstanding warrants at September 30, 2007:

<b>Expiry Date</b>	<b>Exercise Price \$ per share</b>	<b>Warrants outstanding #</b>	<b>Fair value \$</b>
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
		36,332,498	2,007

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

	<b>October 2006</b>	<b>June 2006</b>	<b>All fiscal 2006 grants</b>
Risk-free interest rate	4.00%	4.00%	4.00%
Expected life	2 years	2 years	2 years
Expected volatility	89%	89%	89%
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 nine months ended September 30, 2007, \$158,000 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 4.03% 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 equal to or greater than the market price at the grant date.

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The following stock options were outstanding at September 30, 2007:

	Number of Stock Options #	Weighted Average Exercise Price \$ per share
Balance - December 31, 2006	11,140,000	0.1603
Granted	1,500,000	0.1800
Exercised	-	-
Cancelled/Expired	(600,000)	-
Outstanding - September 30, 2007	12,040,000	0.1627
Exercisable - September 30, 2007	12,040,000	0.1627

The weighted average remaining contractual life of the options is three years and nine months as of September 30, 2007.

d) Contributed Surplus

The following summarizes contributed surplus activity during the period:

	September 30, 2007 \$	December 31, 2006 \$
Balance, beginning of period	999	464
Stock-based compensation in the period on		
- Stock options granted / vesting	158	535
Expiration of Share Purchase Warrants	423	-
<b>Balance, end of period</b>	<b>1,580</b>	<b>999</b>

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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	307
December 1, 2011	2,150,000	0.150	164
March 27, 2012	1,500,000	0.180	158
Cancelled options	(850,000)		83
	12,040,000		1,157

(\*) Black-Scholes valuation

**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) On May 15 2006, Mr. P. Liddle (a director and former shareholder of GENZL) became an employee of GENZL and has received \$103,075 for the current period (nine months ended August 31, 2006: \$31,101).
- b) On April 1, 2005, Mr. Henderson (a director and former shareholder of GENZL) became an employee of GENZL, and has received \$127,773 for the current period (nine months ended August 31, 2006: \$95,556).
- c) During the current period management fees of \$45,000 (nine months ended August 31, 2006: \$24,750) were paid to a company owned by the Hughnie Laing Trust, whose sole beneficiary is the wife of Mr. G Laing.
- d) During the current period, \$45,568 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 (nine months ended August 31, 2006: \$44,396). For the year ended May 31 2006, \$9,000 was advanced to St George Minerals Ltd, and remains outstanding at the period end.
- e) During the current period, \$9,000 was paid to non-executive director Mr. R Billingsley for additional duties of a technical nature (nine months ended August 31, 2006: \$8,604).

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- f) At September 30 2007, a net balance of \$1,992 was outstanding to the Company's parent company, St Andrew Goldfields Limited, for travel expenses incurred on the Company's behalf (nine months ended August 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.

**8. Segmented Information**

	Nine months ended September 30, 2007 (Unaudited) \$	Nine months ended August 31, 2006 (Unaudited) \$
Operating (Loss) by segment:		
New Zealand	(431)	(513)
Canada	(290)	(1,072)
Consolidated Operating Loss	(721)	(1,585)
	September 30, 2007 (Unaudited) \$	August 31, 2006 (Unaudited) \$
Assets by Segment:		
New Zealand	13,221	6,509
Canada	237	332
Consolidated Gross Assets	13,458	6,841
Total Liabilities by Segment:		
New Zealand	508	181
Canada	22	107
Consolidated Total Liabilities	530	288

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**9. Commitments and Contingencies**

- a) The Company had expenditure commitments as at September 30, 2007 of \$690,000 (August 31, 2006: Nil) representing work in relation to the airborne geophysics campaign in the Otago region over a four month period. At September 30, 2007, \$303,000 of this commitment has been included in accounts payable.
- b) GENZL has granted a 2% production royalty to Geoinformatics Exploration Ireland Ltd in respect of any production achieved from the Company's interests on targets identified and placed in the Target Bank, as a result of the Intervention Project over the CCVR.
- c) Under the terms of non-cancelable operating leases, the Company is committed to rental payments as follows:

2007	\$14,090
2008	\$48,820
2009	<u>\$ 5,080</u>
	<u>\$67,990</u>

**10. Comparative Figures**

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

**11. Subsequent Event**

On November 1, 2007 the Company announced that it would make a private placement to raise CAD 5m. The private placement to consist of 25,000,000 Units at a price of 20 cents per Unit. Each Unit will consist of one common share and a one half share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at a price of 30 cents per share, exercisable for a period of 2 years from the closing date.

The closing date is expected to be late November 2007.