

GLASS EARTH LIMITED
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED 31 AUGUST 2005

(These consolidated interim financial statements have not been reviewed by an independent firm of chartered accountants)

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Glass Earth Ltd. have been prepared in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the May 31, 2005 audited financial statements. Only changes in accounting information have been disclosed in these consolidated financial statements.

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

“Glenn Laing”

Glenn Laing, Director

“Peter Liddle”

Peter Liddle, Director

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

	31 August 2005	31 May 2005
	(Unaudited)	
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	625	1,359
Receivable and prepaid expenses	<u>26</u>	<u>20</u>
	651	1,379
Mineral Interests (Note 4)	2,443	1,743
Property and Equipment (Note 5)	<u>11</u>	<u>5</u>
	<u>\$3,105</u>	<u>\$3,127</u>
LIABILITIES		
Current		
Accounts payable and accrued charges	377	343
Commitments and Contingencies (Note 11)		
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	3,005	3,005
Warrants (Note 6)	422	422
Accumulated Comprehensive Income	5	-
Deficit Accumulated through the Development Stage	<u>(704)</u>	<u>(643)</u>
	<u>2,728</u>	<u>2,784</u>
	<u>\$3,105</u>	<u>\$3,127</u>

APPROVED ON BEHALF OF THE BOARD

“Glenn Laing”

Glenn Laing, Director

“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 Interim Statement of Operations
(in thousands of Canadian Dollars)

	3 months ended 31 August 2005	3 months ended 31 August 2004
	(Unaudited)	
	\$	\$
Revenue		
Expenses		
General and administration	36	12
Professional fees	1	14
Registry and filing	3	
Travel and accommodation	8	
Salaries	36	
Interest and sundry	7	
Consultancy fees	8	23
Recharge to exploration	(40)	
Amortization	<u>2</u>	<u>—</u>
	<u>61</u>	<u>49</u>
Loss before Income Taxes	(61)	(49)
Provision for income taxes	<u>-</u>	<u>-</u>
Net loss	<u>(61)</u>	<u>(49)</u>
Loss per Share - Basic	0.11	0.08
Loss per Share- Fully Diluted	0.09	0.08
Weighted average number of basic common shares outstanding during the period	57,237,634	16,667
Weighted average number of fully diluted common shares outstanding during the period	64,281,134	16,667

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

GLASS EARTH LIMITED
(A Development Stage Company)
Consolidated Interim Statement of Cashflows
(in thousands of Canadian Dollars)

	3 months ended 31 August 2005 (Unaudited)	3 months ended 31 August 2004
	\$	\$
Cashflows from Operating Activities		
Net loss	(61)	(85)
Adjustment for:		
Amortization	<u>1</u>	<u>1</u>
	(60)	(84)
Changes in non-cash working capital		
Receivable and prepaid expenses	(6)	3
Accounts payable and accrued charges	<u>22</u>	<u>46</u>
Net Cash used from Operating Activities	(44)	(35)
Cashflows used in Investing Activities		
Mineral interests	(683)	(5)
Purchase of property and equipment	<u>(7)</u>	<u>-</u>
Net cash used in Investing Activities	(690)	(5)
Cashflows from Financing Activities		
Borrowings	-	18
Net Cash Provided from Financing Activities	<u>0</u>	<u>18</u>
Net Increase/ (decrease) in cash	(734)	(22)
Cash - beginning of period	<u>1,359</u>	<u>23</u>
Cash - end of period	<u>625</u>	<u>1</u>

Interest and Income Taxes paid

During the year, the Company had cash flows arising from interest and income taxes paid as follows:

Interest paid	<u>-</u>	<u>-</u>
Income taxes paid	<u>\$-</u>	<u>\$-</u>

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

GLASS EARTH LIMITED
(A Development Stage Company)
Notes to Consolidated Interim Financial Statements
31 August 2005

1. Nature of Operations

Glass Earth Limited (formerly known as BC Report Magazine Ltd.) (the "Company"), is engaged in the acquisition, exploration and development of mineral properties. To date, the Company has not earned revenues and is considered to be in the development stage. On March 31, 2005, the Company completed an acquisition as described in note 3.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, accordingly, certain information and note disclosure normally included in annual audited financial statements have been condensed or omitted. These interim consolidated financial statements have been prepared using the same accounting principles as used in the annual audited financial statements and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended May 31, 2005. The results of operations of any interim period are not necessarily indicative of the results of operations for any other interim period or a full fiscal year.

2. Going Concern

These consolidated financial statements have been prepared using 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. As at August 31, 2005, the Company had a net loss of \$61,000 and accumulated deficit of \$704,000. The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, achievement of profitable operations and the discovery, development and sale of mining reserves. The Company is planning to meet its future expenditures and obligations by raising funds through private placements or by farm-outs of mineral properties.

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.

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

3. Basis of Presentation and Reverse Takeover

On March 31 2005, the Company completed the acquisition of all the outstanding common shares of Glass Earth (New Zealand) Limited (formerly Glass Earth Limited) ("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 period ended August 31, 2005 reflect the assets, liabilities and results of operations of GENZL, the legal subsidiary, prior to the reverse takeover and the consolidated assets, liabilities and results of operations of the Company and GENZL subsequent to the reverse takeover. The consolidated financial statements are issued under the name of the legal parent (the Company) but are deemed to be a continuation of the legal subsidiary (GENZL).

GLASS EARTH LIMITED
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31 August 2005

4. Mineral Interests

	August 2005	May 2005
	\$	\$
Direct - Mineral Exploration Costs		
Balance - beginning of period/year	\$1,743,000	\$686,000
Coromandel/Central Volcanic Region Project		
Airborne Surveys	646,000	914,000
Geological consulting, mapping and modeling	51,000	121,000
License rentals	<u>3,000</u>	<u>22,000</u>
Cost for the period/year	<u>700,000</u>	<u>1,057,000</u>
Balance - end of period/year	<u>\$2,443,000</u>	<u>\$1,743,000</u>

- a) The Company has carried out prospecting and exploration for gold and silver in the CCVR of the North Island of New Zealand, since its incorporation in September 2002. The Company owned 100% of Prospecting Permits 39-241 and 39-282 covering approximately 9,000 square kilometers of the CCVR.
- b) The Company has not incurred any acquisition costs in relation to exploration interests.
- c) The Company's exploration activities are carried out solely in New Zealand.

5. Property and Equipment

	2005		2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Computer equipment	13,625	4,682	7,422	3,645
Office furniture and equipment	<u>2,280</u>	<u>274</u>	<u>1,680</u>	<u>26</u>
	<u>\$15,905</u>	<u>\$4,956</u>	<u>\$9,102</u>	<u>\$3,671</u>
Net carrying amount		\$10,949		\$5,431

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

GLASS EARTH LIMITED
(A Development Stage Company)
Notes to Consolidated Interim Financial Statements
31 August 2005

6. Shareholders' Equity

a) Share Capital

Authorised:

Unlimited number of common shares with no par value

Issued and Outstanding

	Number of Common Shares	Amount \$
Outstanding 31 May 2004	7,149,914	1,965,203
Share issue costs	-	(628,454)
Issued pursuant to acquisition of GENZL in RTO (b)	36,000,720	737,145
Adjustment to eliminate stated amount of share capital and accumulated deficit of GEL (legal parent) as a result of the RTO		(1,400,749)
Issued pursuant to private placement (c)	14,087,000	2,394,790
Share issue costs	-	(63,000)
Outstanding, May and August, 31 2005	<u>57,237,634</u>	<u>\$3,004,935</u>

b) On March 31, 2005, the Company issued 36,000,720 common shares in consideration for the acquisition of all the issued and outstanding shares in GENZL (note 3).

c) On March 31, 2005, 14,087,000 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 35 cents per share for a period of two years following the date of issue of the Units.

d) Common shares have been reserved for warrant options on the following basis:

7,043,500 exercisable at 35 cents up to March 31, 2007.

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

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- e) As at the balance sheet date and pursuant to an escrow agreement, the following holdings and escrow provisions pertained to the common shares issued on March 31, 2005:
- i.) Private placements of 14,087,000 shares having a 4 month hold provision expiring 31 July 2005
 - ii.) 36,000,720 common shares issued to purchase GENZL, on 31 March 2005, with an initial 10% hold provision of 4 months.

Pursuant to the escrow agreements with the Toronto Venture Stock Exchange, a further 15% of escrowed shares is released every 6 months after October 6, 2005.

f) Warrants

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

	Numbers of Warrants	Weighted average exercise price	Fair Value
		\$	\$
Balance, 31 May 2004	-	-	-
Issued pursuant to private placement (c)	7,043,500	0.35	422,610
Balance, May and August 31, 2005	<u>7,043,500</u>	<u>\$0.35</u>	<u>\$422,610</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:

Risk-free interest rate	2.7%
Expected life	2 years
Expected volatility	80%
Expected dividends	-

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

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. 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.

7. Related Party Transactions

- a) In November 2003, GENZL entered into a Management Services Agreement with Ian R Brown Associates Ltd ("IRBA") (a company owned by Mr. I. R. Brown, a director and former shareholder of GENZL). The agreement set out the terms for the provision of technical and other services to GENZL. On 30 June 2005, the Management Services Agreement was terminated and replaced with a consultant agreement.

Total services provided during the period, under these contracts, amounted to \$7,268 (2004: \$56,113). The outstanding balance owing to IRBA at period end totaled \$2,057 (2004: \$56,113).

- b) During the current period Mr. I. R. Brown did not personally provide administrative and technical services to GENZL (2004: \$10,000). There was no outstanding amount at period end (2004: \$10,000).
- c) During the current period to August 31, 2005, Mr. P. Liddle (a director and former shareholder of GENZL) did not directly provide accounting and secretarial services to GENZL (2004: \$16,400) There was no outstanding amount at year end (2004: \$16,400).

For the 3 months period to August 31 2005, Hussey & Associates Limited (a chartered accounting firm in New Zealand with which Mr. Liddle has a consulting arrangement) charged total fees of \$15,955.

- d) On April 1, 2005, Mr. Henderson (a director and former shareholder of GENZL) became an employee of GENZL. A formal employment contract has not been agreed as yet with Mr. Henderson, although the key terms of his employment are expected to be a salary of \$130,000 per annum together with a termination/redundancy provision equivalent to 24 months salary. Mr. Henderson has received \$32,500 for the current period.

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- e) In April 2005, the Company loaned \$2,224,896 to GENZL to fund its exploration activities. The loan is non-interest bearing and cannot be called prior to November 30, 2006.
- f) During the period management fees of \$8,250 were paid or accrued to a company controlled by a director. All outstanding amounts, except for item e) are expected to be repaid with the next year and have been classified as current liabilities in these financial statements

8. Financial Instruments

a) Credit Risk and Concentrations of Credit Risk

Financial Instruments which potentially subject the Company to credit risk consist of short term securities and cash deposits.

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 instrument.

b) Fair Values

The carrying amount of short term securities, cash deposits, accounts receivable, loans and payable approximate fair value due to the short maturity of these instruments. Adequate provision is held in respect of accounts receivable.

9. Segmented Information

	3 months ended	3 months ended
	31 August 2005	31 August 2004
	\$	\$
Operating (Loss) by Segment:		
Glass Earth Limited	(19)	(36)
Glass Earth (New Zealand) Limited	(42)	(49)
Consolidated Operating Loss	(61)	(85)

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Notes to Consolidated Interim Financial Statements
31 August 2005

Assets by Segment:		
Glass Earth Limited	209	243
Glass Earth (New Zealand) Limited	2,896	2,884
	<u>3,105</u>	<u>3,127</u>
Consolidated Gross Assets		
	3,105	3,127
Total Liabilities by Segment:		
Glass Earth Limited	83	99
Glass Earth (New Zealand) Limited	294	244
	<u>377</u>	<u>343</u>
Consolidated Total Liabilities		
	377	343

Geographical information is not presented as the operations of Glass Earth Limited occur in Canada and the operations of Glass Earth (New Zealand) Limited occur in New Zealand.

10. Income Taxes

The Company accounts for income taxes using the asset and liability method. Tax asset and liability account balances are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rate. The effects of future changes in tax losses are not anticipated.

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 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.

11. Commitments and Contingencies

- a) The Company had no capital expenditure commitments as at August 31, 2005 (2005: \$854,932 of which \$192,370 had been included in creditors at that time).

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

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- 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) A Statement of Claim has been served on the Company by M Horn & Co. ("Horn") claiming a success fee of \$133,402 plus interest and legal costs in connection with some of the private placements of shares made contemporaneously with the RTO of the Company on March 31, 2005. The Company has filed a Statement of Defense in relation to this matter and it believes that the ultimate outcome of this action is indeterminable. A liability of \$28,402 is accrued as at May 31, 2005.
- d) Under the terms of non-cancelable operating leases, the Company is committed to rental payments as follows:

	\$
2006	9,222
2007	9,222
2008	9,222
2009	<u>769</u>
	<u>\$28,435</u>

12. Comparative Figures

Where necessary, certain comparative figures have been reclassified to conform to the presentation adopted in the current year.