

GLASS EARTH LIMITED
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**THREE MONTH PERIOD ENDED
AUGUST 31, 2006**

(Stated in Canadian Dollars)

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GLASS EARTH LIMITED
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED AUGUST 31, 2006

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 May 31, 2006 audited annual financial statements. Only 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 judgement.

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	August 31, 2006 (Unaudited) \$	May 31, 2006 (audited) \$
ASSETS		
Current Assets		
Cash and equivalents	1,170	1,403
Amounts Receivable (Note 9)	98	82
Advances and prepaid expenses	27	10
	<u>1,295</u>	<u>1,495</u>
Deferred Offering Costs (Note 8)	116	-
Mineral Properties (Note 5)	5,313	5,048
Property and Equipment (Note 6)	117	113
	<u>5,546</u>	<u>5,161</u>
	<u>6,841</u>	<u>6,656</u>
LIABILITIES		
Current Liabilities		
Accounts payable	226	246
Accrued liabilities	62	122
	<u>288</u>	<u>368</u>
Commitments and Contingencies (Note 11)		
SHAREHOLDERS EQUITY		
Common Shares (Note 7(a))	7,027	6,618
Share Purchase Warrants (Note 7(b))	1,239	1,156
Contributed Surplus (Note 7(c))	736	464
Deficit Accumulated through Development Stage	(2,449)	(1,950)
	<u>6,553</u>	<u>6,288</u>
	<u>6,841</u>	<u>6,656</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
	#	\$	\$	\$	\$	\$
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		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
- 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

(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)

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	-	(83)	-	83	-	-
- Stock option compensation expense	-	-	272	-	-	272
Loss for the period	-	-	-	-	(499)	(499)
Balance - August 31, 2006	89,902,633	7,027	736	1,239	(2,449)	6,553

(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)

	3 months ended August 31, 2006 (Unaudited) \$	3 months ended August 31, 2005 (Unaudited) \$
Revenue	-	-
Expenses		
Amortization	7	2
Consultancy fees	27	8
Financing fees	-	-
General and Administration	114	26
Professional fees	18	1
Registry and Filing	3	3
Salaries	36	16
Stock-based compensation (Note 7(c))	272	-
Travel and accommodation	30	8
	<u>507</u>	<u>64</u>
Loss for the period before the undernoted	<u>(507)</u>	<u>(64)</u>
Interest Income	8	3
Loss before Income Taxes	<u>(499)</u>	<u>(61)</u>
Provision for income taxes	-	-
Net Loss for the period	<u>(499)</u>	<u>(61)</u>
Deficit - beginning of period	<u>(1,950)</u>	<u>(643)</u>
Deficit - end of period	<u>(2,449)</u>	<u>(704)</u>
Loss per Share - Basic and Fully Diluted	0.01	0.00
Weighted average number of basic and fully diluted common shares outstanding during the period	69,660,679	57,237,634

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

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

	3 months ended August 31, 2006 (Unaudited) \$	3 months ended August 31, 2005 (Unaudited) \$
Cash Provided by (used in) :		
Operating Activities		
Net loss for the period	(499)	(61)
Adjustments for non-cash items:		
Amortization	7	1
Stock-based compensation (Note 7(c))	272	-
Changes in non-cash working capital items:		
Amounts receivable	(16)	(6)
Advances and prepaid expenses	(17)	-
Accounts payable	(20)	22
Accrued liabilities	(60)	-
Net cash used in Operating Activities	(333)	(44)
Financing Activities		
Issuance of common shares, for cash	500	-
Share issue costs	(124)	-
Net cash provided from Financing Activities	376	-
Investing Activities		
Expenditures on mineral properties	(265)	(683)
Acquisition of property and equipment	(11)	(7)
Net cash used in Investing Activities	(276)	(690)
Net increase in cash and equivalents	(233)	(734)
Cash and equivalents - beginning of period	1,403	1,359
Cash and equivalents - end of period	1,170	625

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.)

GLASS EARTH LIMITED
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Tabular amounts in thousands of Canadian dollars)
August 31, 2006

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.

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

As at August 31, 2006, the Company had a net loss of \$499,000 and accumulated deficit of \$2,449,000. 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 (see Note 12). It is not possible to predict whether these efforts will be successful or whether the Company will attain profitable levels of operation.

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3. Acquisition of HPD New Zealand Limited

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 had a total of 22 Exploration and Prospecting Permits covering over 4,724 square kilometres over both the North and South Islands of New Zealand (being epithermal and mesothermal gold targets in each respective island). The purchase price was allocated to the mineral properties (see Note 5(c)).

4. 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 May 31, 2006.

a) 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.

GLASS EARTH LIMITED
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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 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) 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%
Office Furniture & Equipment	10%

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d) 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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5. Mineral Properties

	August 31, 2006 \$	May 31, 2006 \$
Balance - beginning of period	5,048	1,743
Expenditure on Projects:		
Airborne survey	-	700
Geological consulting, mapping and modeling	125	268
License rental	67	41
Resistivity surveys	10	185
Drilling	63	72
Total project expenditure for the period	265	1,266
Acquisition of HPD New Zealand Limited	-	2,039
Balance - end of period	5,313	5,048

- 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 and 39-282 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 May 31, 2006 \$	Expenditure to August 31, 2006 \$	Closing Balance August 31, 2006 \$
Central Volcanic Region	2,719	196	2,915
Mamaku - Muirs Region	394	5	399
Hauraki Region	1,631	9	1,640
Otago Region	204	55	259
Waihi West Joint Venture	100	-	100
	<u>5,048</u>	<u>265</u>	<u>5,313</u>

Project	Opening Balance \$	Re-allocation as at December 31, 2005 \$	Expenditures to May 31, 2006 \$	Acquisition of HPD \$	Closing Balance \$
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>

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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. 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.

6. Property and Equipment

	August 31, 2006			May 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Computer Equipment	76	17	59	65	12	53
Motor Vehicles	50	3	47	50	1	49
Office furniture and equipment	11	-	11	11	-	11
	<u>137</u>	<u>20</u>	<u>117</u>	<u>126</u>	<u>13</u>	<u>113</u>

GLASS EARTH LIMITED
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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	79,902,633	6,618
Issued pursuant to private placement (v)	6,666,667	-
Issued pursuant to private placement (vi)	3,333,333	500
Share Purchase Warrant Valuations (Note 7(b))	-	(83)
Share issue costs	-	(8)
Outstanding August 31, 2006	89,902,633	7,027

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August 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) 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.

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

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

August 31, 2006

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, 2006	21,709,332	0.28	1,156
Granted	1,666,666	0.25	83
Exercised	-	-	-
Cancelled/Expired	-	-	-
Balance August 31, 2006	23,375,998	0.28	1,239

Summary of outstanding warrants at August 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	83
		23,375,998	1,239

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:

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

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

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c) Stock-Based Compensation

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

For the period ended August 31, 2006, \$272,000 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% per annum, expected volatility of 89%, expected dividend rate of nil and an expected life of 2.5 years. The exercise price of all share purchase options granted was greater than or equal to the market price at the grant date. In the year ended May 31, 2006, 6,000,000 options were granted or vested and \$464,000 was recorded as a stock-based compensation expense.

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

	Number of Stock Options #	Weighted Average Exercise Price \$ per share
Balance - May 31, 2006	5,750,000	0.1500
Granted	3,240,000	0.1550
Exercised	-	-
Cancelled/Expired	-	-
Outstanding - August 31, 2006	8,990,000	0.1518
Exercisable - August 31, 2006	8,990,000	0.1518

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

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d) Contributed Surplus

The following summarizes contributed surplus activity during the period:

	August 31, 2006 \$	May 31, 2006 \$
Balance, beginning of period	464	-
Stock-based compensation in the period on - Stock options granted / vesting	272	464
Balance, end of period	736	464

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	5,750,000	0.150	445
June 8, 2011	3,240,000	0.155	272
Cancelled options			19
	8,990,000		736

(*) Black-Scholes valuation

8. Deferred Offering Costs

At August 31, 2006 the Company had incurred net deferred offering costs of \$116,000. These costs were related to a New Zealand financing offer (refer to note 12), and will be offset against the proceeds of that offering.

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9. 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 \$26,051 for the current period. (three months ended August 31, 2005: Nil).
- b) On April 1, 2005, Mr. Henderson (a director and former shareholder of GENZL) became an employee of GENZL, and has received \$33,346 for the current period (three months ended August 31, 2005: \$32,500).
- c) During the current period management fees of \$8,250 (three months ended August 31, 2005: \$8,250) were paid to a company owned by the Hughnie Laing Trust, whose sole beneficiary is the wife of a director.
- d) During the current period, \$12,637 was paid or accrued to St George Minerals Ltd, (a company which has a common director of the Company) for the provision of office and related facilities in Toronto. For the year ended May 31 2006, \$9,000 was advanced to St George Minerals Ltd, and remains outstanding at the period end (three months ended August 31, 2005: Nil).

All outstanding amounts are expected to be repaid within the next year and have been classified as current liabilities in these financial statements.

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10. Segmented Information

	3 months ended August 31, 2006 (Unaudited) \$	3 months ended August 31, 2005 (Unaudited) \$
Operating (Loss) by segment:		
Glass Earth Limited	(344)	(19)
Glass Earth (New Zealand) Limited	(152)	(42)
HPD New Zealand Limited	(3)	-
Consolidated Operating Loss	(499)	(61)
	August 31, 2006 (Unaudited) \$	May 31, 2006 (Audited) \$
Assets by Segment:		
Glass Earth Limited	332	1,113
Glass Earth (New Zealand) Limited	4,427	3,454
HPD New Zealand Limited	2,082	2,089
Consolidated Gross Assets	6,841	6,656
Total Liabilities by Segment:		
Glass Earth Limited	107	146
Glass Earth (New Zealand) Limited	171	169
HPD New Zealand Limited	10	53
Consolidated Total Liabilities	288	368

11. Commitments and Contingencies

- a) The Company had no capital expenditure commitments as at August 31, 2006 (May 31, 2006: Nil).
- 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.

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- c) The contingent royalty obligations on geothermal energy production have been assumed by Glass Earth Geothermal Limited (formerly named GEX Limited) as a result of the sale of geothermal targets and potential to GEX Limited by GENZL, in return for an identical 0.5% geothermal production royalty. This transfer is subject to ratification by Geoinformatics Exploration Ireland Ltd. Glass Earth Geothermal Limited is a wholly owned subsidiary of the Company.
- d) Under the terms of non-cancelable operating leases, the Company is committed to rental payments as follows:

2007	\$26,537
2008	\$35,383
2009	<u>\$22,635</u>
	<u>\$84,555</u>

12. Subsequent Events

Financing and Secondary Listing on the New Zealand Stock Exchange

On October 13, 2006, the Company raised New Zealand Dollar (NZ\$) 10 million (approximate \$7.5 million) through a New Zealand prospectus financing. The Company has obtained a secondary listing of its common shares as an Overseas Listed Issuer on the New Zealand Exchange's Alternative Exchange (NZAX). St Andrew Goldfields Limited, a major shareholder of Glass Earth Limited, subscribed for its (48.3%) pro-rata share of the financing.

The financing consisted of 40,000,000 units at NZ\$0.25 per unit with each unit comprising one common share and one half purchase warrant, each whole purchase warrant entitling the holder to subscribe for one common share at NZ\$0.35 per common share for a period of two years. The proceeds from the financing will be used to fund the Company's ongoing exploration and development programs for gold and silver, in New Zealand and for general working capital.

13. Comparative Figures

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