

**GLASS EARTH LIMITED**  
**For the three months ended June 30, 2007**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*(All amounts stated in Canadian dollars, unless otherwise indicated)*

*This interim report, including the consolidated interim financial statements and this MD&A contains certain "Forward-Looking Statements", which are prospective and reflect management's expectations regarding Glass Earth Limited's ("**Glass Earth**") future growth, results of operations, performance and business prospects and opportunities. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential mineralization and reserves, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, exploration results and future plans and objectives of Glass Earth are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Glass Earth's expectations are disclosed in its documents filed from time to time with the TSX Venture Exchange and other regulatory authorities and include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore to be mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors.*

*Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Glass Earth undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*

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## **INTRODUCTION**

This discussion and analysis of the operating results and financial condition of Glass Earth Limited (“**Glass Earth**”, or the “**Company**”) for the six months ended June 30, 2007 should be read in conjunction with the unaudited consolidated financial statements and related notes for the same period, as well as the audited annual financial statements and related notes for the seven months ended December 31, 2006, and is intended to provide the reader with a review of the factors that affected the Company’s performance during the six months ended June 30, 2007 and the factors reasonably expected to impact future operations and results.

The unaudited consolidated financial statements and related notes of Glass Earth have been prepared in accordance with accounting principles generally accepted in Canada (“**Canadian**

**GAAP**) and are expressed in Canadian dollars. All amounts in this report are in Canadian dollars, except where otherwise indicated.

### **Qualified Person**

The Glass Earth exploration programs are carried out under the supervision of Glass Earth's Vice President, Exploration and Chief Operating Officer, Mr. Simon Henderson, M.Sc, M.AUSIMM. Mr. Henderson meets the qualified person requirements (as defined by National Instrument 43-101) with more than 30 years of experience in the gold mining and exploration industry and is responsible for the geoscientific and technical disclosure contained in this document.

### **CORPORATE HISTORY AND NATURE OF THE BUSINESS**

Glass Earth was incorporated under the *Business Corporations Act* (British Columbia) on March 23, 1989, under the name "362293 B.C. Ltd.". On August 30, 1989, the Company changed its name to BC Report Magazine Ltd., and on March 30, 2005 to Glass Earth Limited, concurrently with the completion of a Reverse Takeover ("**RTO**") of the Company by Glass Earth (New Zealand) Limited ("**GENZL**").

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 purchase 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 Company's common shares were re-listed on the TSX Venture Exchange in early April 2005 under the symbol "**GEL**". The Company is classified as a mining exploration / development company by the TSX Venture Exchange. Glass Earth was registered in New Zealand as an overseas company under Part 18 of the Companies Act on June 7, 2006 and obtained a secondary listing of its common shares as an Overseas Listed Issuer on the New Zealand Exchange's Alternative Exchange ("**NZAX**") on October 13, 2006.

The principal activity of Glass Earth is exploration for gold and silver in New Zealand. As at June 30, 2007, Glass Earth held the largest portfolio of gold and silver focused prospecting and exploration permits in New Zealand (over 31,000 square kilometres), including the following key territorial assets:

#### ***Hauraki Region***

With eleven (11) advanced gold prospects, this region occupies a significant ground position around the world class epithermal gold deposit at Waihi/Martha gold mine (owned by Newmont Waihi Gold Limited). Newmont has commenced earning into the Glass Earth permits via two Joint Ventures: the Waihi West permit, immediately adjacent to the Waihi / Martha Mine; and the nearby Hauraki Region permits.

### ***Mamaku Region***

Seventeen (17) recently-defined gold targets, including the Muirs-reef prospect that has historically produced 43,000 oz of gold.

### ***Central Volcanic Region***

Seventy four (74) epithermal gold targets identified, including 6 advanced drill-ready prospects.

### ***Otago Region***

Glass Earth's main gold region on New Zealand's South Island, host to the 7 million ounce Macraes Mine (Oceana Gold). A major data collection/geophysical survey over this region commenced in January 2007, to be followed by a targeting process to identify priority areas of gold potential for detailed evaluation. Three (3) near drill-ready mesothermal gold prospects are included within this area.

## **BOARD OF DIRECTORS AND MANAGEMENT**

On December 27, 2006, St Andrew Goldfields Limited announced that it had increased its interest from 48.3% to 50.2% of the common shares of the Company. At the Annual Meeting of shareholders of the Company held on November 29, 2006, shareholders approved the appointment of the following two individuals, nominated by St Andrew Goldfields Limited, as non-executive directors of Glass Earth Limited:

*Stephen Burns, B.A., C.A. and M.B.A.*

Mr. Burns is director and Chairman of the Audit Committee of St Andrew Goldfields.

*Paul C. Jones*

Mr. Jones is an Executive Vice President of St Andrew Goldfields Ltd. with 45 years in the mining industry.

## **CAPITAL TRANSACTIONS and SIGNIFICANT EVENTS**

On **October 13, 2006**, the Company raised gross proceeds of NZ\$10 million (approximately \$7.5 million) pursuant to the issue of a New Zealand compliant prospectus. The financing consisted of 40 million units at NZ\$0.25 per unit (approximately \$0.1875), with each unit comprising one common share and one half of a purchase warrant (called "options" in New Zealand), each whole purchase warrant entitling the holder to subscribe for one common share at NZ\$0.35 (approximately \$0.2625) per share for up to 2 years.

On **December 19, 2006**, Glass Earth confirmed that it had been granted, by Crown Minerals New Zealand, the largest ever Prospecting Permit (PP 39 322) over 17,980 square kilometres in the Otago Region in the South Island of New Zealand.

On **January 19, 2007**, the Company announced that it had commenced a major airborne geophysical campaign in the Otago mesothermal gold region, South Island, New Zealand.

The airborne geophysical survey will cover an area of over 22,000 square kilometres and is the largest airborne survey of this nature ever flown in New Zealand (see Exploration Update).

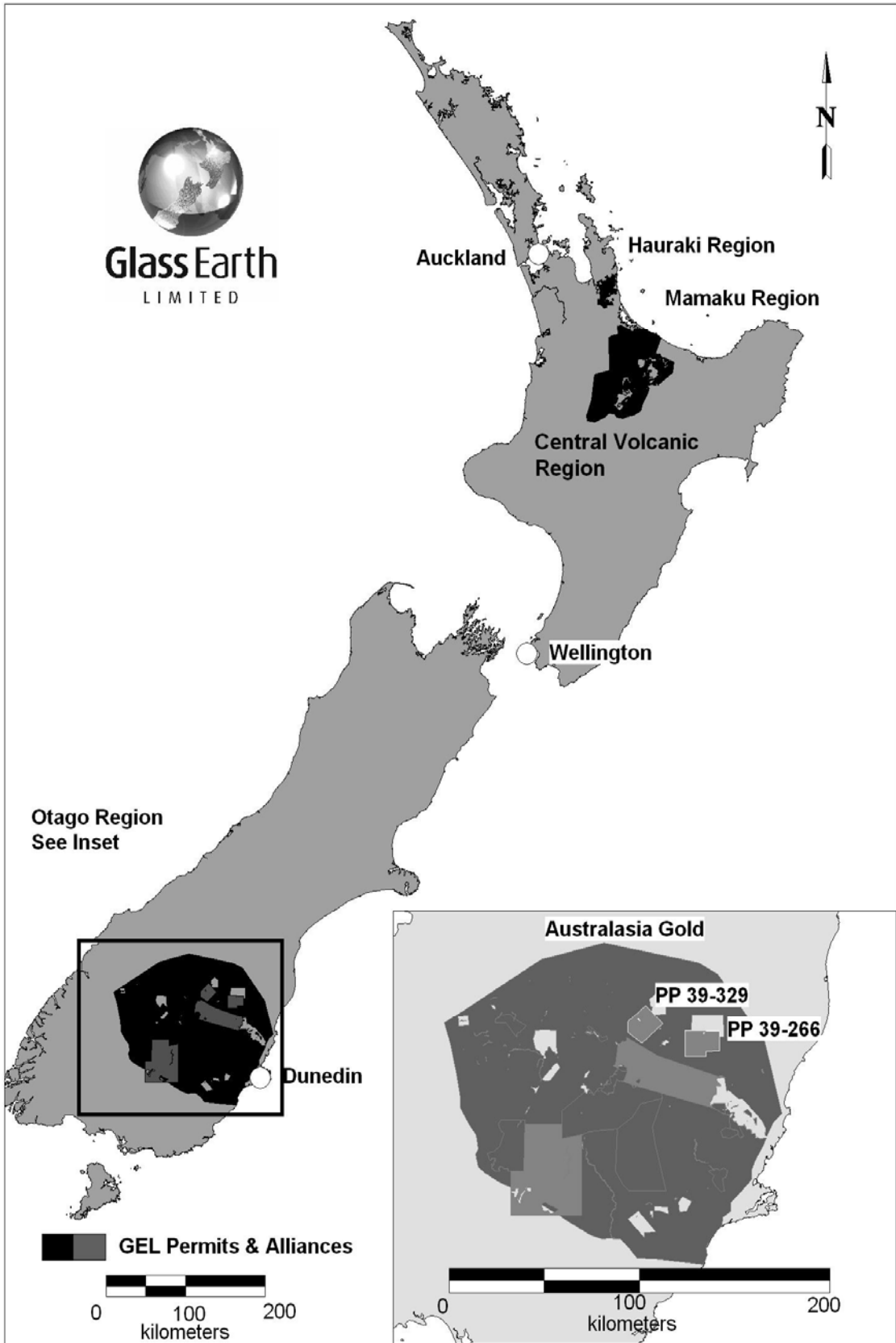
On **February 26, 2007**, an agreement was entered into with a subsidiary of Newmont Mining Corporation, whereby Newmont will explore Glass Earth's extensive permit area in the Hauraki Region, North Island, New Zealand. Glass Earth's Hauraki Region permit area lies immediately to the west and north of the Waihi / Martha Hill Mine, located at Waihi, North Island, New Zealand which is owned and operated by Newmont. 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:

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.

Newmont may elect to prepare a feasibility study to earn a further 10% in a venture area. Glass Earth may request that Newmont arrange Glass Earth's share of financing in return for a further 5% equity in a venture area.

On **May 22, 2007**, Glass Earth announced that it had flown 60% (approximately 30,000 line kms), of the Otago Region survey area collecting Electro-Magnetic, Magnetic and DTM data. Glass Earth also announced that it had entered into a Letter of Intent with Australasia Gold Ltd over its Otago gold permits that are contiguous to Glass Earth's permit holdings in the Otago Region. Glass Earth may earn a 70% equity in the Australasia Gold permits by completing work that is an integral part of the Otago Region survey. This joint venture complements an earlier joint venture arrangement with Aurora Minerals Limited in the Otago Region.



## **EXPLORATION SUMMARY & UPDATE** (*Updates in italics*)

Glass Earth has established a large portfolio of gold prospecting and exploration permits in New Zealand, including:

- Advanced gold prospects in the **Hauraki Region** area;
- Advanced and greenfields gold prospects at the **Mamaku Region**, between Rotorua and Tauranga;
- Greenfield gold prospects in the **Central Volcanic Region**, between Rotorua and Taupo; and
- Advanced and greenfields gold prospects in the **Otago Region** mesothermal gold fields, including a 17,980 square kilometer prospecting permit area which it believes is prospective for Macraes style gold mineralization.

Glass Earth has built this portfolio using a “new generation” approach focused on identifying specific deposit criteria for “world class ore-bodies”. This approach uses international leading edge technology via Glass Earth’s alliance with Geoinformatics Exploration Inc., a Canadian listed technology orientated exploration group, whose process provides a structured and disciplined approach to scientific data capture, validation, compilation, integration, modeling and target generation for gold and other mineral deposits. Geoinformatics Exploration Inc. is entitled to a two percent Net Smelter Royalty on gold produced from targets initially identified in the Hauraki, Mamaku and Central Volcanic Regions (the Stage 2 Target Bank), that Glass Earth owns or acquires.

The Company’s exploration activities are carried out solely in New Zealand by its wholly owned subsidiaries, GENZL. GENZL has carried out prospecting and exploration for gold and silver in the Coromandel / Central Volcanic Region (“**CCVR**”) since its incorporation in September 2002. From incorporation to May 2004, GENZL sourced legacy data and created a multidimensional single database using the Geoinformatics Intervention Process. As a result of this advanced method of analysis, on GENZL’s permit areas only, an initial total of 29 gold exploration targets were identified.

As a follow-up to this analysis, 44,000 line kilometers of airborne (magnetic and gravity) geophysical surveys were carried out from March to July 2005, better defining existing targets and identifying additional targets. In December 2005, GENZL was granted six Exploration Permits over 21 of the more advanced targets identified. Exploration Permits allow for higher impact work programs and are granted for a duration of five years, with a right of renewal of a further five years for up to one half of the area covered by the original Exploration Permit. The Exploration Permits granted contain certain work obligations in relation to each of the individual areas covered by the permits. The work programs are minimum obligations in order to retain individual permits in good standing. The Company expects to progress exploration activities more rapidly depending on available financing. The term of the main Prospecting Permit 39-241 was extended to 21 October 2007 in order to protect the other 85 less advanced targets.

Glass Earth security holders were provided with an “Exploration Summary 2006/07” booklet in early June 2007, which is useful for reference purposes in addition to the information provided below. A copy of the booklet is also on Glass Earth’s website: [www.glassearthlimited.com](http://www.glassearthlimited.com)

The following three regional exploration programmes are conducted from the Company’s new 5,000 square foot office / sample preparation / core shed facility in Rotorua (central North Island).

### **Hauraki Region** (*Update in italics*)

Following the successful compilation of legacy data and new airborne survey campaigns, numerous targets were identified and prioritized for more in-depth exploration, some of which were not in Glass Earth’s permit holdings at the time. Glass Earth moved strategically to acquire these target areas. The acquisition of HPD New Zealand Limited added 15 of these targets to Glass Earth’s permit holdings, including several advanced epithermal gold targets in the Hauraki region. All HPD permits have since been transferred to GENZL.

In February 2007, the **Hauraki Joint Venture** was entered into with Newmont over Glass Earth’s entire Hauraki Region permit area, for Newmont to fund and undertake exploration programmes in each of the 3 sectors of the Hauraki Region (Northern, Central and Southern). All sectors are within trucking distance of the world-class 10 million ounce Martha Gold Mine operated by Newmont at Waihi. Newmont’s 2007 exploration programme on Glass Earth’s Hauraki permits includes Hoist Electro-Magnetic surveying, surface geochemistry and resistivity surveys to define drill targets.

*Two EM Hoist surveys have been completed with ground gravity, mapping and soil sampling also well advanced.*

The **Waihi West Joint Venture** area is contiguous to the southern end of the Martha pit and contains potential strike extensions of all the major Martha veins, south and eastward. It also covers potential southerly strike extensions of the nearby Union Hill veins. Soon after inception of the joint venture in April 2006, Newmont completed collecting gravity, magnetic and CSAMT resistivity data to assist in the targeting of drill locations and orientation. Since then, Newmont has drilled three holes, reporting modest gold mineralized intercepts. Newmont completed its initial work obligations (NZ\$400,000 within 12 months) early and has elected to move to the next stage whereby it may earn a 60% equity in the permit by expending an aggregate NZ\$1.5m (approximately C\$1.25m). Newmont has advised that it intends to drill a further hole near the UW 272/278 location and follow-up on several anomalous geophysical features identified through on-ground surveying.

### **Mamaku Region** (*Update in italics*)

In the Mamaku Region, Glass Earth considers it has identified, through its geophysical surveys, the extension of the Coromandel Volcanic Arc deep into the Mamaku-Muir’s Region. The Coromandel Volcanic Arc hosts the currently producing Martha gold mine and the Hauraki



Goldfield, which is considered extremely prospective. This newly-identified extension is on 100% Glass Earth owned permits. Within the Mamaku Region, Glass Earth has identified 17 new geophysical targets and has acquired the Muirs Reef prospect area via the HPD acquisition.

A concerted regional mapping and geochemical sampling programme has been undertaken. Anomalous gold values and/or significant hydrothermal alteration are already confirmed at 5 targets. Follow-up of the Ohauti and Kaimai targets has led to the identification of mineralized vein float (0.57ppm Au) at Ohauti and outcropping silicification (0.37ppm Au) at Kaimai. The prospecting has advanced 8 of the 14 targets to the exploration stage with three (Ohauti, Kaimai and Gibraltar) climbing the ranking table significantly.

The Gibraltar target lies immediately south of the Muirs Reef Gold Mine (historic production 43,000oz Au in the 1930's). A large magnetic low is interpreted to represent significant magnetite destruction as a consequence of widespread hydrothermal activity. Quartz float shedding from the vicinity of the Gibraltar deposit has textural characteristics similar to Muirs Reef and Martha Hill gold veins.

*Bulk leach extractable gold (“BLEG”) sampling of stream sites, field evaluation and mapping of the lesser ranked targets has continued. With the original large Prospecting Permit 39 241 due for relinquishment in October 2007, Glass Earth is well positioned to determine which targets meet the minimum requirements to advance them to the Exploration Permit stage. Glass Earth expects that its evaluation efforts will result in a refining of the target bank, with lesser ranked targets being dropped. This will occur in the third quarter of 2007.*

*An extensive E-Scan resistivity survey is planned for the third quarter of 2007, followed by scout drilling on positive results.*

### **Central Volcanic Region** *(Update in italics)*

Ground-based exploration activities, including resistivity surveys, have been carried out in the Central Volcanic Region to better define drill targets. The drilling exploration phase requires reaching agreement with land owners and occupiers as to land access arrangements. Field reconnaissance mapping commenced to further examine all anomalies using ground-based mapping of creeks, drainages and incised valleys and / or hill scarps. On each anomaly, drilling will be employed to penetrate the overburden and covering layers of rock to produce in situ rock samples for geochemical analysis. Using a suite of geochemical pathfinder minerals and judicious petrological sampling, these samples will assist in vectoring in on anomalous zones likely to represent mineralized structures. Drilling will be conducted in phases, with each phase investigating fewer anomalies.

Based on the new higher resolution datasets, 21 of the original 106 targets in the Stage 2 Target Bank were prioritized for pre-drilling resistivity and gold geochemical surveys. Completion of ground resistivity and soil gold geochemical surveying highlighted that 6 of the 14 targets tested to date have coincident magnetic lows, gravity highs, resistivity highs and traces of gold in soils (up to 30 ppb).

Glass Earth completed its first exploratory drill hole into one of the 6 identified geophysical targets (Tahunaatara) in May 2006. The drill hole intersected a significant (70 metre wide) zone of intense hydrothermal alteration and silicification with anomalous gold and silver mineralization. Whilst economic gold was not intersected in this drill hole, the discovery of anomalous gold in a major new epithermal system offers significant scope within the large Tahunaatara geophysical anomaly (approximately 2.2 kilometres x 0.7 kilometres). Glass Earth then completed detailed infill resistivity and gold soil geochemical surveying of the Tahunaatara target.

Since June 2006, 4 additional drill holes have been completed at Tahunaatara, targeting resistive anomalies detected using detailed CSAMT resistivity techniques within the extensive hydrothermal alteration and silicification mapped. These holes have confirmed individual 1m assays of indicative economic grade (1m intervals of 1g, 2g, 3g Au) and broad low grade mineralisation. Petrology, including clay thermometry and fluid inclusion studies reinforces Glass Earth's belief that the mineralized system intercepted is in the epithermal gold deposition range and mineral assemblages have all the ingredients of a high grade ore zone. To date only a fraction of the 2km x 5km area has been tested. The valuable information from the first 4 drill holes compiled with detailed follow-up surface work encourages further drilling.

Scout drilling (diamond drilling) commenced in May 2006 and has been continuous since November 2006. Progressively, the targets, Tahunaatara (4 drill holes), Humphrey's Rd (2 drill holes), Thompson's (1 drill hole), Pukemoremore (1 drill hole) etc are being drill-tested in an expanding drilling programme which aims to test the top 20 targets in the next 15 month period.

Simultaneously, high ranking targets with known gold intercepts (Muir's Reef, Ohakuri) are being readied for drilling campaigns (Muir's access being negotiated, Ohakuri Letter of Intent signed).

*BLEG sampling of stream sites, field evaluation and mapping of the lesser ranked targets has continued. With the original large Prospecting Permit 39 241 due for relinquishment in October 2007, Glass Earth is well positioned to determine which targets meet the minimum requirements to advance them to the Exploration Permit stage. Glass Earth expects that its evaluation efforts will result in a refining of the target bank, with lesser ranked targets being dropped. This will occur in the third quarter of 2007.*

*A second drill hole at Pukemoremore was completed with similar low level gold mineralisation to that encountered earlier. CSAMT resistivity surveying was undertaken at two other sites with resistors being located for further follow up.*

*An extensive E-Scan resistivity survey was completed on the Ohakuri target and initial results are encouraging. The E-Scan system has been redeployed to the Tahunaatara target to better define the known resistivity anomalies already located there and to extend the coverage of that target.*

### **Otago Region** *(Update in italics)*

The Dunedin office in the South Island, New Zealand is directing exploration efforts in this region as follows:

Glass Earth has commenced its second Data Collation / Interrogation Project over Prospecting Permit (“PP”) 39 322, which was granted in December 2006. Complementing Glass Earth’s regional approach, the company has also, through the acquisition of HPD, acquired near drill ready targets in Otago. The data collection / geophysical intervention and targeting project commenced in January 2007.

The airborne geophysical survey, contracted to Fugro BTW Limited (“FUGRO”), commenced on 15 January 2007 and will cover an area of over 17,000 square kilometers. It is the largest airborne survey of this nature ever flown in New Zealand. It is planned to obtain a detailed geological understanding of the area, allowing targeting of new areas with the potential for hardrock and/or alluvial gold. The survey will involve the helicopter-borne “RESOLVE™” EM system combined with a magnetic gradiometer. This system targets the top 100 metres of the earth’s crust (the zone of interest for Glass Earth). Two helicopters each towing a 9 metre Resolve™ drone will carry out this geophysical survey which is expected to take about 4 months to complete.

Glass Earth has entered into two joint venture arrangements having executed Letters of Intent with Aurora Minerals Ltd and Australasia Gold Ltd for Glass Earth to earn a 70% equity in their respective permit areas, which are contiguous to Glass Earth’s permit holdings in the Otago Region (see map prior). Glass Earth’s work obligations to earn these equities are an integral part of the Otago Region survey.

*Since commencement in mid January 2007, Glass Earth and FUGRO have flown 95% of the survey area (approximately 48,000 line kms out of 50,000 line km), collecting Electro-Magnetic, Magnetic and DTM data. This region-wide survey has the potential to directly detect regional scale shears, similar to the Hyde-Macraes Shear Zone, host to the 7.2moz Macraes Gold Mine.*

*With flying substantially completed, increasing attention is being directed to building a scientific legacy database and the processing, analysis and interpretation of the new data obtained.*

### Otago Region Alluvial Gold

Historically this prolific alluvial gold producing region recovered approximately 8 million ounces of gold in the 19<sup>th</sup> Century via prospecting and dredging. Glass Earths airborne campaign will renew interest in its remaining alluvial potential.

## FINANCIAL COMMENTARY

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.

At June 30, 2007, the Company had net working capital of \$3,435,000 (December 31, 2006: \$6,912,000), including cash and equivalents of \$3,903,000 (December 31, 2006: \$7,316,000).

### Exploration Expenditures

There have been two significant changes to the exploration expenditures budgeted for fiscal 2007:

- Pursuant to the Newmont joint venture over the Hauraki Region, Glass Earth will now only be incurring modest expenditures associated with review and monitoring of Newmont's exploration activities undertaken there.
- Congruent with that, the Otago Region airborne geophysical survey budget has been increased. The Otago Region Survey budget was approximately a net C\$1.6m (NZ\$2m), but has been increased to a gross C\$3.2m (NZ\$4m), with the Otago Regional Council contributing C\$0.8m (NZ\$1m) towards the Survey costs in return for receiving a copy of all relevant data and additional processing of that data. The net cost to Glass Earth of the Survey is now budgeted at C\$2.4m (NZ\$3m) for fiscal 2007.

Accumulated mineral exploration costs, which form the bulk of the Company's expenditures, decreased from \$1,637,000 in the first quarter to \$1,403,000 during this three month period under review. Expenditure was higher in the first quarter due to the commencement of the Otago Region Survey. Exploration expenditures have accumulated as set out in the Table below:

(In thousands of Canadian dollars.)

	<b>December 31, 2006</b>	<b>March 31, 2007</b>	<b>June 30, 2007</b>
Opening balance	5,048	6,317	7,954
Airborne surveys	297	994	671
Geological consulting, mapping and modeling	448	243	369
License rentals	92	104	104
Resistivity surveys	222	88	90
Drilling	210	208	169
<b>Closing balance</b>	<b>6,317</b>	<b>7,954</b>	<b>9,357</b>

Accumulated exploration expenditure by region is shown in the following table:

(In thousands of Canadian dollars.)

Project	Opening Balance	Expenditure to March 31, 2007	Expenditure to June 30, 2007	Closing Balance
Hauraki Region	1,648	21	21	<b>1,690</b>
Mamaku Region	405	10	31	<b>446</b>
Central Volcanic Region	3,533	453	593	<b>4,579</b>
Otago Region	628	1,153	758	<b>2,539</b>
Waihi West Joint Venture	103	-	-	<b>103</b>
	<b>6,317</b>	<b>1,637</b>	<b>1,403</b>	<b>9,357</b>

A narrative description of exploration activities for this period has been set out above in the previous sections.

### Significant Expenses of a Corporate Nature

The net loss for the three months ended June 30, 2007 was \$241,000, compared with \$344,000 in the three months ended March 31, 2007 and \$402,000 in the three months ended May 31, 2006. The quarter ended March 31, 2007 included a significant non-cash item of \$158,000, being the calculated value attributed to the Incentive Stock Options granted to directors and management staff. The quarter ended May 31, 2006 included the costs related to the fund raising and seeking of a secondary listing in New Zealand.

Other significant expense categories included:

- a) general and administration expenses of \$112,000 in the three months ended June 30, 2007, compared with \$85,000 in the first quarter ended March 31, 2007 and \$234,000 for the three months ended May 31, 2006. The quarter ended May 31, 2006 included the costs related to the fund raising and seeking of a secondary listing in New Zealand;
- b) professional fees of \$39,000, in the three months ended June 30, 2007, compared with \$29,000 in the first quarter ended March 31, 2007 and \$100,000 for the three months ended May 31, 2006. This related primarily to legal fees incurred in respect of Joint Venture Agreements and Letters of Intent that the Company entered into. The quarter ended May 31, 2006 included the costs related to the fund raising and seeking of a secondary listing in New Zealand;
- c) net salaries (after exploration recharges) of \$89,000, in the three months ended June 30, 2007, compared with \$63,000 in the first quarter ended March 31, 2007 and \$8,000 for the three months ended May 31, 2006, now includes two full time senior executives (the COO and CFO); and
- d) consulting fees of \$8,000, in the three months ended June 30, 2007, compared with \$16,000 in the first quarter ended March 31, 2007 and \$17,000 for the three months ended May 31, 2006.

The Company now employs 11 permanent staff in New Zealand, including its head office in Wellington, administration office in Auckland and exploration offices in Dunedin (Otago Region) and Rotorua (Mamaku and Central Volcanic Regions).

## Financial Statistics

As a result of the reverse take-over of the Company by GENZL on March 30, 2005, the consolidated financial statements for the periods ended June 30, 2007, December 31, 2006 and May 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). Scheduled below are the quarterly and annual results for GENZL alone for the first three quarters of fiscal year 2005 and consolidated with the Company for the last quarter of 2005 and for fiscal 2006 onwards. In 2006 the Company changed its financial year end from May 31 to December 31. The change was implemented by having a transition period of 7 months with the last day of the transition period being December 31, 2006.

(In thousands of Canadian dollars, except per share amounts.)

Fiscal Period	Revenue	Net Loss	Earnings / (Loss) per Share (cents)		Total Assets	Total LT Liab	Dividends
			Basic	Diluted			
2007 – Q2	-	241	(0.19)	(0.19)	13,773	-	-
2007 – Q1	-	344	(0.26)	(0.26)	13,952	-	-
<b>Fiscal 2007</b>	-	<b>585</b>	<b>(0.45)</b>	<b>(0.45)</b>	N/A	-	-
Dec 06	-	258	(0.20)	(0.20)	14,106	-	-
Sep06-Nov06	-	130	(0.16)	(0.16)	13,758	-	-
Jun06–Aug06	-	499	(0.72)	(0.72)	6,841	-	-
<b>Dec 31, 2006</b>	-	<b>887</b>	<b>(0.99)</b>	<b>(0.99)</b>	N/A	N/A	-
2006 – Q4	-	503	(0.80)	(0.80)	6,656	-	-
2006 – Q3	-	569	(0.94)	(0.94)	3,069	-	-
2006 – Q2	-	174	(0.30)	(0.30)	2,722	-	-
2006 – Q1	-	61	(0.11)	(0.11)	3,105	-	-
<b>May 31, 2006</b>	-	<b>1,307</b>	<b>(2.12)</b>	<b>(2.12)</b>	N/A	N/A	-
2005 – Q4	-	402	(0.65)	(0.65)	3,127	-	-
2005 – Q3	-	50	(0.14)	(0.14)	1,120	-	-
2005 – Q2	-	90	(0.25)	(0.25)	761	-	-
2005 – Q1	-	49	(0.14)	(0.14)	759	-	-
<b>May 31, 2005</b>	-	<b>591</b>	<b>(0.96)</b>	<b>(0.96)</b>	N/A	N/A	-

The following table summarizes the Company's cash flows and cash on hand:

(In thousands of Canadian dollars.)

	<b>3 months June 30, 2007</b>	<b>3 months March 31, 2007</b>	7 months December 31, 2006
Cash	<b>3,903</b>	<b>5,386</b>	7,316
Working capital	<b>3,435</b>	<b>5,069</b>	6,912
Cash used by operating activities	<b>(89)</b>	<b>(254)</b>	(475)
Cash used by investing activities	<b>(1,407)</b>	<b>(1,671)</b>	(1,437)
Cash provided by financing activities	-	-	7,555

In the seven months ended December 31, 2006, \$7,498,000 was raised through the issue of 40,000,000 units at 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. Issue costs of \$319,000 were incurred in the period in addition to the \$116,000 which were incurred in respect of the preparation of the New Zealand prospectus and ultimate raising of NZ\$10 million.

### **Liquidity**

The Company's core activity is gold exploration in New Zealand, as supported by necessary administrative expenditures. The Company has 4 main project areas in New Zealand, being:

- Hauraki Region;
- Mamaku Region;
- Central Volcanic Region; and
- Otago Region.

The **Hauraki Region** is now subject to joint venture with Newmont Mining Corporation, whereby it may earn up to a 75% equity in return for incurring exploration expenditures equivalent to the next 4 years of permit work obligations. Therefore, only limited Company monitoring expenditure is currently planned on this region.

The **Mamaku** and **Central Volcanic Regions** are serviced by the Company's Rotorua office. Exploration expenditures, including resistivity surveys and drilling totaling approximately \$220,000 per month are budgeted for fiscal 2007.

The **Otago Region** activity will centre on the airborne geophysics survey, expected to cost approximately \$2.2m in fiscal 2007, net of contributions from a regional government body. Additional contributions may reduce this amount.

The Company's General and Administrative expenditures are expected to be approximately \$800,000 for fiscal 2007. The Company's cash of \$3.9m as at June 30, 2007 is considered sufficient to carry the Company through into 2008.

### **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. Peter Liddle (a director and former significant shareholder of GENZL) became an employee of GENZL. Mr. Liddle received compensation of \$67,803 in the current period (six months ended May 31, 2006: \$5,050).
- b) On April 1, 2005, Mr. Simon Henderson (a director and former significant shareholder of GENZL) became an employee of GENZL. Mr. Henderson received compensation of \$84,662 in the current period (six months ended May 31, 2006: \$62,210).
- c) During the current period management fees of \$30,000 (six months ended May 31, 2006: \$16,500) were paid to a company owned by the Hughnie Laing Trust, whose sole beneficiary is the wife of a director, Mr. Glenn Laing.
- d) During the current period, \$30,069 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 (six months ended May 31, 2006: \$41,750). For the year ended May 31 2006, \$9,000 was advanced to St George Minerals Ltd, and remains outstanding at the period end (six months ended May 31, 2006: \$9,000).
- e) During the current period, \$6,000 was paid to non-executive director Mr. R Billingsley for additional duties of a technical nature (six months ended May 31, 2006: \$5,604).
- f) At June 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 (six 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.

### **Other Matters**

#### *Use of Financial Instruments*

In the current period and in the seven months ended December 31, 2006, the Company did not enter into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. The principal financial instruments affecting the Company's financial condition and results of operations are currently its cash, amounts receivable and prepayments, and



accounts payable and accrued liabilities. Foreign currency exposure is minimized by retaining most (approximately 96%) cash in Canadian dollar denominated instruments. Funds expected to be expended in New Zealand dollars in the short-term are held in New Zealand dollar denominated investments (approximately 4%).

#### *Contractual Obligations and Commitments*

- a) The Company had expenditure commitments as at June 30, 2007 of \$890,000 (May 31, 2006: Nil) principally representing the balance of data processing work to be undertaken in relation to the Otago Region Survey through to completion in August/September 2007. As referred to earlier, the size of the survey has been increased (from a minimum of 30,000 line km to over 47,000 line km). The Company is recovering approximately 25% of these costs from the Otago Regional Council contribution (as referred to earlier).
- 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	\$30,304
2008	\$52,499
2009	<u>\$ 5,463</u>
	<u>\$88,266</u>

#### *Off-Balance Sheet Arrangements and Contingent Liabilities*

The Company has no off-balance sheet arrangements or contingent liabilities, not already discussed above.

#### **Critical Accounting Policies and Estimates**

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. These estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. The Company's critical accounting policies are those that affect the financial statements and are summarized in Note 4 of the audited consolidated financial statements for the seven months ended December 31, 2006. Critical accounting policies and estimates in the period included capitalization of the costs relating to the acquisition, exploration and development of non-producing resource properties and the recognition of impairment of those assets, and the choice of Generally Accepted Accounting Principles ("GAAP"). Actual results could differ from these estimates.

## *Mineral Properties*

The decision to capitalize exploration expenditures, and the timing of the recognition that capitalized exploration is unlikely to have future economic benefits, can materially affect the reported earnings of the Company. Glass Earth follows Canadian GAAP. In line with accepted industry practice for exploration companies, the Company has adopted the policy of deferring property specific acquisition, exploration and development costs. Deferred costs relating to properties that are relinquished, or where continued exploration is deemed inappropriate, are written off in the year such assessment is made. If Glass Earth adopted a policy of expensing all exploration costs, the Company's asset base, shareholders' equity, and loss from operations would be materially different. These deferred costs will be amortized on the unit-of-production basis over the estimated useful lives of the properties following the commencement of production. The cost of mineral properties includes any cash consideration paid, and the fair market value of shares issued on the acquisition of property interests. The recorded amounts represent actual expenditures incurred and are not intended to reflect present or future values. The Company reviews capitalized costs on its property interests on a periodic, or at least annual, basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the 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.

## **SUBSEQUENT EVENTS**

None to report

## **OUTLOOK**

By unlocking the value in the data available and enabling objective targeting and ranking through the conversion of data into information and from there into knowledge, the Company is building a predictive framework for the discovery of new gold deposits. This approach ensures ongoing objectivity for individual prospects, discarding of potential failures, and an enhanced understanding of the multidimensional geology and mineral deposit process. Glass Earth has already applied this process in the Hauraki / Central Volcanic Regions, where the Data Intervention project kick-started the generation of new gold targets augmented by the implementation of two major airborne geophysical surveys. Glass Earth has commenced ground verification of its portfolio of targets by drilling in the Central Volcanic region. Glass Earth plans further significant drilling of multiple targets. Glass Earth has now commenced its next Data Collation / Interrogation project in the Otago mesothermal gold region, with an integrated geological data base compilation and airborne geophysical survey program similar to the one completed in the Hauraki / Central Volcanic Regions.

Glass Earth's pipeline of prospects at different stages of development offers a well-balanced portfolio of quality exploration prospects. Endorsement of this approach was obtained by Glass Earth entering into two joint ventures with Newmont Mining Corporation, one over Glass Earth's

Waihi West exploration permit alongside the Martha gold mine and another over Glass Earth's entire Hauraki Region permits.

Glass Earth's medium term aim is to develop into a significant gold producer, but also sees earlier opportunities to create and capture value purely through successful exploration. The worldwide exploration industry has been severely diminished by acquisition and merger, which has dramatically reduced the commitment to greenfields exploration. Glass Earth intends to exploit a potential valuable gap by generating and managing the early stages of resource identification and development of world-class gold deposits. Delineation of such resources can generate significant premium and value-add at the exploration stage.

For additional information, please refer to the Company's website at [www.glassearthlimited.com](http://www.glassearthlimited.com) and for regulatory filings, including news releases, please refer to [www.SEDAR.com](http://www.SEDAR.com).

## **RISKS, UNCERTAINTIES and OTHER ISSUES**

Glass Earth's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future. Glass Earth's common shares should be considered speculative.

### **Nature of Mineral Exploration and Development Projects**

The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into mines. Glass Earth's properties are in the exploration stage and at present, none of the Company's properties have a known body of commercial ore. The proposed exploration programs are an exploratory search for such a deposit. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

In the event the Company is fortunate enough to discover a gold and / or silver deposit, the economics of commercial production depend on many factors, including the cost of operations, the grade of the deposit, proximity to infrastructure, metal prices, financing costs and Government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of gold and silver and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of these factors could adversely affect the economics of commencement or continuation of commercial production.

The profitability of the Company's operations will be dependent, inter alia, on the market prices of gold and silver, which are affected by numerous factors beyond the control of the Company, including international economic and political conditions, levels of supply and demand, and international currency exchange rates.

Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land available for exploration, the availability of suitable contractors, and other factors. If mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves through drilling, to determine the optimal metallurgical process and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves.

### **Licenses and Permits, Laws and Regulations**

Glass Earth's exploration activities require permits from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. Glass Earth draws on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies.

The Company believes that it holds, or has applied for, all necessary licenses and permits under applicable laws and regulations and believes it is presently complying in all material respects with the terms of such licenses and permits. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Government approvals and permits are required in connection with the exploration activities proposed for the properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

### **Environmental**

Mining operations are subject to various environmental laws and regulations including, for example, those relating to waste treatment, emissions and disposal, and companies must generally comply with permits or standards governing, among other things, tailing dams and waste disposal areas, water consumption, air emissions and water discharges. Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any minerals it discovers is subject to various reporting requirements and to acquiring certain Government approvals and there is no assurance that such approvals, including environmental approvals, will be granted without inordinate delays or at all.

### **Conflicts of Interest**

Certain of the Company's directors, officers and significant shareholders are or may become shareholders, directors and / or officers of other natural resource companies, and, to the extent

that such other companies may participate in ventures with the Company, they may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or of its terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which one or more directors or officers may have a conflict. From time to time, the Company, together with other companies, may be involved in a joint venture opportunity where several companies participate in the acquisition, exploration and development of natural resource properties, thereby permitting the Company to be involved in a greater number of larger projects with an associated reduction of financial exposure in any given project. The Company may also assign all or a portion of its interest in a particular project to any of these companies due to the financial position of the other company or companies. In accordance with the laws of the province of British Columbia, the directors are required to act honestly and in good faith with a view to furthering the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no procedures or mechanisms to deal with conflicts of interest.

For a more complete description of the uncertainties and risk factors faced by the Company, please refer to Management's Discussion and Analysis of the audited annual financial statements for the seven months ended December 31, 2006.

## **CANADIAN ACCOUNTING ISSUES**

### **Multilateral Instrument 52-109 : *Internal controls over financial reporting***

As at March 31, 2007 management of the Company is responsible for evaluating the design of internal control over financial reporting. The Chief Executive Officer and Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with the issuer's Generally Accepted Accounting Principles as of June 30, 2007, have not identified any changes to the Company's internal control over financial reporting in the latest interim reporting period that would materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **SUPPLEMENTAL TO THE FINANCIAL STATEMENTS**

### **Outstanding Share and Option Data**

Glass Earth's shares trade on the TSX Venture Exchange and the NZAX under the symbol "GEL". The Company is authorized to issue an unlimited number of common shares without par value. As at July 31, 2007, the following items were issued and outstanding:

- 129,902,633 common shares;
- 12,640,000 Incentive Stock Options with an average exercise price of \$0.16 per share and expiry dates of between February 22, 2011 and March 27, 2012;
- 16,332,498 common share purchase warrants with an average exercise price of \$0.25 per share and expiry dates of between January 13, 2008 and June 6, 2008; and
- 20,000,000 listed (on the NZAX) common share purchase warrants with an exercise price of NZ\$0.35 (approximately \$0.26) per share and expiry date of October 13, 2008.

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.

A total of 12,305,616 common shares remain subject to the provisions of the escrow agreement.

July 31, 2007