

GLASS EARTH LIMITED

24 January 2006

Management's Discussion and Analysis of Financial Condition and Results of Operations For the Second Quarter to November 30 2005.

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

1. The Company was the subject of a Reverse Take Over ("**RTO**") on 31 March 2005 and contemporaneously undertook a private placement to raise \$2.8m to fund the Company's acquired exploration activities. The Company subsequently re-listed on the TSX Venture Exchange in early April 2005 and changed its name from BC Report Magazine Ltd to Glass Earth Ltd. The acquiring company in the RTO transaction changed its name to Glass Earth (New Zealand) Ltd ("**GENZL**"). The principal activity of GENZL (and therefore the Group) is exploration for gold and silver in the Coromandel/Central Volcanic Region ("**CCVR**") in the North Island of New Zealand.
2. As the acquisition has been accounted for as a RTO, this Management Discussion and Analysis ("**MD&A**") is based on the RTO acquirer's financial statements. That is, on GENZL's financial statements.
3. The MD&A should be read in conjunction with the Consolidated Financial Statements and is intended to provide the reader with a review of the factors that affected the Company's performance during the 6 months period ended November 30 2005 and the factors reasonably expected to impact future operations and results.

Forward-looking Information

4. When used in this document, words such as "estimate", "expect", "anticipate" and "believe" and similar expressions are intended to identify forward-looking statements. Such statements are used to describe management's future plans, objects and goals for the Company and therefore involve inherent risks and uncertainties. The reader is cautioned that actual results, performance or achievements may be materially different from those implied or expressed in such statements. Glass Earth Ltd makes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or such factors which affect this information, except as required by law.

Overview

5. The Company's exploration activities are carried out solely in New Zealand by its wholly owned subsidiary, GENZL. GENZL has carried out prospecting and exploration for gold and silver in the CCVR since its incorporation in September 2002. As at period end GENZL owned 100% of Prospecting Permits 39-241 and 39-282 covering approximately 9,000 square kilometres of the CCVR.

6. In the period to May 2004, GENZL sourced legacy data and created a multi-dimensional single database using the Geoinformatics Intervention Process (as more fully described in the BC Report Magazine Ltd Information Circular, dated 8 November 2004). As a result of that Intervention Project, a total of 29 gold exploration targets were identified on GENZL permit areas.
7. On 31 March 2005, GENZL completed the RTO of the Company, with the Company raising C\$2.8 m to fund GENZL's proposed airborne geophysical surveys over the CCVR (containing the majority of the identified targets) and general corporate purposes. As a result of those geophysical surveys carried out from March to July 2005, additional targets have been defined as well as existing targets refined.
8. In September 2005, GENZL lodged six Exploration Permit applications over 21 of the more advanced targets identified and also applied for a time extension to the main Prospecting Permit 39-241 to protect the other 85 less advanced targets. The Prospecting Permit has been extended for an additional 24 months past its renewal date of 21 October 2005. In December 2005/January 2006, five of the six Exploration Permits were granted, with the final permit expected to be granted shortly.
9. Exploration expenditures have been in line with predictions, with the Company now advancing the requisite resource consents and access arrangements for on-the-ground exploration activities scheduled to commence in February 2006.
10. On 23 December 2005, the Company announced an agreement to acquire HPD New Zealand Ltd ("HPD") for the consideration of issuing 12.665m Glass Earth common shares and 6.3325m share warrants (with a strike price of 25 cents each for a period of 2 years). HPD has 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 transaction is subject to final documentation and regulatory approvals and is expected to close no later than March 31 2006.
11. At period end the Company held only sufficient cash and short term assets to meet its accrued liabilities owing at period end. In January 2006, the Company raised \$0.5m by issuing a further 3,333,333 common shares and 1,666,667 share warrants exercisable at 25 cents for up to 2 years. These funds will be applied towards conducting pre-drilling activities, including ground resistivity surveys in four of GENZL's granted Exploration permits and on compliance work on HPD's permits.
12. The Company is embarking on a fund raising campaign in order to conduct further on-the-ground exploration activities, either in its own right or in conjunction with farm-in partners.

Results of operations

13. As referred to earlier, our comments are based on GENZL's financial statements and as such, the comparative figures for 2004 relate solely to the Company's recently acquired wholly owned subsidiary, GENZL. As such, the financial performance

and financial position for 2004 is in relation to a modestly resourced exploration company operating in Wellington, New Zealand. Apart from the expenditures on Mineral Interests, comparisons between the two years are not meaningful. Therefore, the following comments are in relation to activities of the Company and GENZL in the second quarter to November 30 2005.

14. General and Administrative Expenditures totalled a net \$174,000 for the quarter, of which the principal categories are General and Administration (\$73,000), professional fees (\$73,000), salaries of \$36,000 and travel and accommodation (\$9,000). Of these expenditures \$43,000 was allocated to exploration expenditure, representing the time and expenses incurred in relation to those activities. General and administration expenses significantly increased due to involvement in the audit of the year end financial statements, preparation and printing of the Annual Report and related annual general meeting (as well as preparation of the first quarter reporting).
15. Professional fees of \$73,000 consisted primarily of year end audit fees (in Canada and New Zealand) and Canadian legal fees. Both categories will be sharply reduced with the main reporting event of the year completed.
16. Mineral exploration costs reduced with the completion of the airborne geophysics campaigns in July 2005. Subsequent expenditures have been in relation to analysis and interpretation of the new data acquired and re-targeting leading to the Exploration permit applications referred to in paragraph 8 above. Exploration expenditures have accumulated as set out in the Table below:

| | 2005 | | Year to | Year to |
|---|--------------------|---------------------|-----------------------|---------------------|
| | 3 months | 3 months | 31 May | 31 May |
| | to 30 Nov | to 31 Aug | 2005 | 2004 |
| | \$000's | \$000's | \$000's | \$000's |
| Airborne surveys | - | 646 | 914 | - |
| Travel and transportation | | - | 27 | |
| Geological consulting, mapping and modelling | 41 | 51 | 121 | 646 |
| Licence rentals | 6 | 3 | 22 | 13 |
| Total costs for the period/year | <u>\$47</u> | <u>\$700</u> | <u>\$1,057</u> | <u>\$686</u> |

17. In the period to May 2004, GENZL sourced legacy data and created a multi-dimensional, single database using the Geoinformatics Intervention Process (as more fully described in the BC Report Magazine Ltd Information Circular dated 8 November 2004). As a result of that Intervention Project, an initial 29 gold exploration targets were identified on GENZL Prospecting Permit areas.
18. From March to July 2005, GENZL carried out two significant airborne geophysical surveys (principally magnetics and gravity) over the central portions of its Prospecting Permits, containing the majority of the identified targets. The final

portion of airborne survey costs of \$646,000 is included in the Company's financial statements for the quarter to 31 August 2005.

19. From 1 April 2005, Simon Henderson (VP Exploration and Chief Operating Officer) is an employee of GENZL and has directly assumed many of the management functions he had formerly carried out as an employee of Ian R Brown Associates Ltd (a company owned by a director of GENZL and provider of technical and other services to GENZL).

Quarterly data (unaudited)

20. GENZL did not prepare quarterly financial statements for the fiscal year 2004. In that period, total General and Administrative Expenditures totalled \$44,000 for the full 12 months. Scheduled below are the quarterly figures for GENZL alone for the first 3 quarters of fiscal year 2005 and consolidated with the Company (post RTO on 31 March 2005) for the last quarter of 2005 and the first two quarters of the 2006 fiscal year:

| (in thousands of dollars, except per share amounts) | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | GENZL | | | GENZL & GEL | | |
| | Aug 2004 | Nov 2004 | Feb 2005 | May 2005 | Aug 2005 | Nov 2005 |
| Revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| Loss from Operations | 49 | 90 | 50 | 400 | 61 | 174 |
| Loss | 49 | 90 | 50 | 400 | 61 | 174 |
| Basic and diluted loss (cents per share) | 0.14 | 0.25 | 0.14 | 0.65 | 0.11 / 0.09 | 0.30 / 0.27 |

Coromandel/Central Volcanic Region ("CCVR") Exploration Project

21. GENZL's exploration project is more fully described in the BC Report Magazine Ltd Information Circular dated November 8 2004, as filed on SEDAR. The following is a brief analysis of the work undertaken on the CCVR by reference to the work programs as set out on pages 24 - 35 of the Information Circular.
22. In the Information Circular, GENZL set out a recommended exploration program over the CCVR, consisting of Phase 1, Phase 2 and Phase 3 work programs.

Phase 1 Work Program

The proposed Phase 1 work program was as follows:

| | |
|---|---------------------|
| | <u>\$000's</u> |
| Airborne geophysical surveying and interpretation | 1,650 |
| Geological surveying | 60 |
| Geochemical surveying | <u>175</u> |
| Total Phase 1 work program estimate | <u>1,885</u> |

23. GENZL intended to fly approximately 40,000 line kilometres of airborne surveying over the central portion of the CCVR in order to provide detailed information on the initial 29 key targets identified in the earlier Geoinformatics Intervention Project. By the end of July 2005, GENZL had completed approximately 38,000 line km of airborne magnetic surveying and approximately 6,000 line km of airborne gravity surveying. In addition, GENZL had undertaken the geological surveying portion of the work outlined in the budget above. Total costs incurred to complete the airborne geophysical surveying and interpretation and geological surveying were approximately \$1.7 m, consisting of the \$1m incurred in the fiscal year 2005, together with the approximately \$0.7m balance of the costs related to the airborne geophysics surveys incurred in June and July 2005.
24. As a result of the geophysical surveys, additional targets have been defined as well as existing targets refined. In September 2005, GENZL lodged six Exploration Permit applications over the 21 most advanced targets and also applied for a 24 month time extension to the existing main Prospecting Permit (PP 39-241), to protect the other 85 less advanced targets. All of these applications have since been granted, except for one Exploration Permit which is expected to be granted shortly. Several additional high ranked targets are located in the recently acquired HPD ground. These targets (and ground) will be incorporated into the CCVR exploration programme. 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.
25. GENZL has planned the geochemical surveying portion (and pre-drilling resistivity campaign) of the Phase 1 program, to be commenced in February 2006. The Exploration Permits granted contain certain work obligations in relation to each of the individual areas covered by the permits. These work programs are a mixture of what the Information Circular referred to as Phase 2 and Phase 3 work programs.

Phase 2 Work Program

26. The Phase 2 work program deals with the identification and drilling of the gold targets within the individual Exploration Permit areas. This exploration phase will involve land based activities which will require GENZL reaching agreement with land owners and occupiers as to land access arrangements. Resource consents to allow for invasive exploration techniques such as drilling will also need to be obtained. Field reconnaissance mapping will be undertaken to check all anomalies, with ground based mapping of creeks, drainages and incised valleys and/or hill

scarps. In addition, first hand knowledge of roads, tracks and topography will be gained.

27. On each anomaly air core RAB drilling will be employed to penetrate overburden and cover rocks to derive 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 mineralised structures. Drilling will be conducted in phases, with each phase investigating fewer anomalies.
28. The work programs for the six Exploration Permits and the 24 month extension to PP 39-241 aggregate to approximately \$1.9m over the first three years. The costs associated with these work programs/obligations are spread approximately 20% in Year 1, 30% in Year 2 and 50% in Year 3. The work programs are minimum obligations in order to retain individual permits in good standing. GENZL would wish to progress exploration activities more rapidly depending on available financing.

Phase 3 Work Program

29. The Phase 3 work program is designed to advance mineralisation discovered under Phase 2 to a resource delineation phase. The Information Circular estimated that a Phase 3 Work Program over an individual target would involve approximately 17,750 metres of RAB drilling and 40,000 metres of RC/Diamond drilling at an aggregate estimated cost of \$4.6m. Should GENZL be successful in its endeavours, it would expect that there would be an overlap of Phase 2 and Phase 3 exploration programs across the various Exploration Permits.

HPD South Island Exploration Project (from 2006 onwards)

30. The bulk of HPD's tenement portfolio is held in the South Island of New Zealand, principally in the Otago region. A total of seven Prospecting Permits and ten Exploration Permits cover approximately 3,800km² and 36,000 hectares respectively. These permits are considered prospective for mesothermal gold mineralisation. Mr Marc Sale, a director of HPD, will continue to be responsible for these exploration activities.

Transactions with Related Parties in the six months

| \$'s | IRBA | IR Brown | P Liddle | SM Henderson | Hussey & Co | Misape Ltd |
|---|----------|-------------|-------------|-----------------|----------------|------------|
| Administration fees | | nil | nil | | 47,927 | 16,500 |
| Consulting fees | | | | | | |
| Geological consulting fees | 14,828 | | | 61,948 | | |
| Due to related party | 2,417 | 0 | 0 | 0 | 12,877 | 0 |
| NOTES | 1 | | | 2 | 3 | 4 |
| <p>1 Ian R Brown Associates Ltd ("IRBA") - a company owned by a GENZL director provided technical and other services to GENZL</p> <p>2 Mr Henderson (a director of the Company) is employed by GENZL from 1 April 2005 at a rate of \$130,000 pa.</p> <p>3 Since 1 April 2005, Mr Liddle's services are provided via Hussey & Co, a chartered accounting firm with which Mr Liddle has a consulting arrangement</p> <p>4 Fees paid or accrued to a management company controlled by a director of the Company. The director provides management and technical services to the Company</p> | | | | | | |

Critical accounting estimates

31. Critical accounting estimates represent estimates that are highly uncertain and for which changes in those estimates could materially impact our financial statements. Costs relating to the acquisition, exploration and development of non-producing resource properties are capitalised until such time as either economically recoverable reserves are established or the properties are sold or abandoned. Based on the results at the conclusion of each phase of an exploration program, management re-evaluates properties that are not suitable as prospects to determine if future exploration is warranted, and that carrying values are appropriate. The decision to capitalise exploration expenditures and the timing of the recognition that the capitalised exploration is unlikely to have future economic benefits, can materially affect the reported earnings of the Company.

Other MD&A requirements

32. 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 minimise their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Glass Earth common shares should be considered speculative.

33. There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.
34. Given the size of the Company and the involvement at all levels of the CEO and CFO, we consider that the disclosure controls and procedures in place as of the end of the period covered by the annual filings are effective.

Additional information

35. Additional information relating to the Company is available on the Internet at the SEDAR website located at www.sedar.com

Disclosure of outstanding share data

36. Glass Earth's shares trade on the TSX Venture Exchange under the symbol GEL. The Company is authorised to issue shares without par value. At the quarter ended 30 November 2005, there were 57,237,634 common shares issued. In addition there were 7,043,500 share warrants outstanding exercisable at 35 cents each with an expiry date of 31 March 2007.
37. As at the period end and pursuant to escrow agreements, the following holdings and escrow provisions pertained to common shares issued on 31 March 2005:
- i. Private Placements of 14,087,000 shares having a 4 month hold period expired July 31, 2005
 - ii. 36,000,720 common shares issued to purchase GENZL with an initial 10% subject to a 4 month hold period.

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

Risks and opportunities

Mineral exploration and development

38. Glass Earth's properties (the "Properties") are in the exploration stage and are without a known body of commercial ore. Development of the Properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. There is no assurance that even if a body of commercial ore is discovered on the Properties, a mine will be brought into commercial production. The feasibility of developing a mineral deposit once discovered is dependent on a number of factors, including the particular attributes

of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations.

39. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programmes, which may be affected by a number of factors, which are beyond the control of the Company.

Additional financing

40. The Company does not currently have sufficient financial resources to undertake by itself all of its planned exploration and possible development programmes. The exploration and subsequent development of the Properties may therefore depend on the Company's ability to obtain additional required financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfil its obligations on the Properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and the possible loss of the Company's interest in the Properties.

New Zealand Governmental Regulation

41. Exploration, development and mining of the Properties will be affected to varying degrees by:
- i. government regulations relating to such matters as environmental protection, health, safety and labour;
 - ii. mining law;
 - iii. restrictions on production;; price controls; tax increases;
 - iv. maintenance of claims;
 - v. tenure; and
 - vi. expropriation of property.
42. 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.
43. Failure to comply with applicable laws, regulations and requirements may result in enforcement action against the Company, including orders calling for the curtailment or termination of operations on the properties, or calling for corrective or remedial measures requiring considerable capital investment. Parties engaged in

mineral exploration and mining activities may be subject to civil and criminal liability as a result of failure to comply with applicable laws and regulations.

44. Amendments to current laws, regulations and permitting requirements affecting mineral exploration and mining activities could have a material adverse impact on the Company's operations and prospects.

Claim Titles and Aboriginal Rights

45. Aboriginal rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to aboriginal issues having been instituted with respect to the Properties. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such cooperation.

Subsequent Events

46. There have been no subsequent events since 30 November that would require their inclusion in the second quarter financial statements.