

GLASS EARTH LIMITED

For the three and six months ended November 30, 2006

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 three and six months ended November 30, 2006 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 year ended May 31, 2006, and is intended to provide the reader with a review of the factors that affected the Company’s performance during the three and six months ended November 30, 2006 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.

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 November 30, 2006, 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

Fifteen (15) advanced gold prospects, in a region that hosts the world class epithermal gold deposit at Martha gold mine (owned by Newmont Waihi Gold Limited).

Mamaku-Muir's Region

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

Taupo 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 data collection / geophysical intervention program covering an area of over 22,000 square kilometres commenced in 2007. Three (3) near drill-ready mesothermal gold prospects.

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 June 6, 2006, the Company issued 3,333,333 units at 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.

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).

EXPLORATION UPDATE

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

- Advanced gold prospects in the **Hauraki-Waihi** area;
- Advanced and greenfields gold prospects at the **Mamaku-Muir**s Reef area, between Rotorua and Tauranga;
- Greenfield gold prospects in the **Taupo (Central) Volcanic** Region, between Rotorua and Taupo; and
- Advanced and greenfields gold prospects in the **Otago** 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 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 and HPD New Zealand Limited (“HPD”). 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.

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

Hauraki Region

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. A detailed review of this area and joint venturing efforts are ongoing (negotiations are underway with Newmont Waihi Gold Ltd, for Newmont Waihi Gold Ltd to undertake an extensive Joint Venture programme in this region).

Mamaku – Muirs Region

In the Mamaku-Muirs Region, Glass Earth considers it has identified, through its geophysical surveys, the extension of the Coromandel Volcanic Arc deep into the Mamaku-Muirs 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-Muirs Region, Glass Earth has identified 17 new geophysical targets and has acquired the Muirs Reef prospect area via the HPD acquisition.

The 17 new potential gold targets identified in Glass Earth's ultra-detailed geophysical surveying (2005) are to be followed up with reconnaissance mapping, geochemical sampling and on-ground geophysical prospecting. This will complement intensive exploration activities on the Muirs Reef project timed to commence when access agreements are finalized. This known epithermal system is covered with up to 150 metres of volcanic ash.

Taupo Volcanic Region

Ground-based exploration activities, including resistivity surveys, have been carried out in the Taupo (Central) Volcanic Region to better define drill targets. This led to the drilling of the first target in May 2006. This exploration phase requires reaching agreement with land owners and occupiers as to land access arrangements. This process is well underway and will be a continuing activity given the number of targets. Field reconnaissance mapping has 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 was planned to provide stratigraphic information of the resistive rocks prior to a more comprehensive drill program. The drill hole intersected a significant (70 metre wide) zone of intense hydrothermal alteration and silicification with anomalous gold and silver mineralization: 174 – 225 metres; 51 metres 0.1 g/t Au, 1.7 g/t Ag. The hole ended at 357.2 metres in intense alteration. Whilst no economic gold was 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). It also offers encouragement for the exploration process and for the other prioritized targets in the area.

Glass Earth has completed detailed infill resistivity and gold soil geochemical surveying of its Tahunaatara target. The results are very encouraging, with eight drill-ready targets, and an additional five other promising targets. The drilling programme recommenced on November 1, 2006 on our Tahunaatara target; significant results will be advised.

Otago Region

The Dunedin office in the South Island, New Zealand will be 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 Otago regional approach, the company has also, through the acquisition of HPD, acquired near drill ready targets in Otago.

Data collection / geophysical intervention, over the recently awarded Otago Prospecting Permit and other areas and a targeting project commenced in January 2007. 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. The airborne geophysical survey is contracted to Fugro BTW Limited. 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 “RESOLVETM” 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 ResolveTM drone will carry out this geophysical survey which is expected to take about 4 months to complete.

Otago Region Alluvial Gold

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

FINANCIAL COMMENTARY

At November 30, 2006, the Company had net working capital of \$7,498,000 (May 31, 2006: \$1,127,000), including cash and equivalents of \$7,603,000 (May 31, 2006: \$1,403,000).

Exploration Expenditures

Mineral exploration costs, which form the bulk of the Company's expenditures, increased from \$265,000 in the first quarter to \$463,000 during the three month period under review. Expenditure was lower in the first quarter, which coincided with the (mild) winter period in New Zealand and staff vacations, as emphasis was placed on the preparation of the prospectus that underpinned the recent NZ\$10 million capital raising in New Zealand that included significant input from technical staff. Exploration expenditures have accumulated as set out in the Table below:

(In thousands of Canadian dollars.)

	November 30, 2006	August 31, 2006	May 31, 2006
Opening balance	5,313	5,048	1,743
Airborne surveys	-	-	700
Geological consulting, mapping and modeling	224	125	268
License rentals	13	67	41
Resistivity surveys	174	10	185
Drilling	52	63	72
Total exploration expenditure	463	265	1,266
Acquisition of HPD New Zealand Limited	-	-	2,039
Closing balance	5,776	5,313	5,048

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

(In thousands of Canadian dollars.)

Project	Opening Balance	Expenditure to August 31, 2006	Expenditure to November 30, 2006	Closing Balance
Hauraki Region	1,631	9	7	1,647
Mamaku- Muirs Region	394	5	3	402
Taupo Volcanic Region	2,719	196	397	3,312
Otago Region	204	55	53	312
Waihi West Joint Venture	100	-	3	103
	5,048	265	463	5,776

Significant infill resistivity surveys have been carried out in order to better define drill targets, combined with analysis of previous drill results. Commencing November 1, 2006, Glass Earth expects to conduct continuous sequential ground based resistivity and drilling over calendar 2007.

Significant Expenses

The net loss for the three months ended November 30, 2006 was \$130,000 (or \$257,000 before deduction of a foreign exchange gain of \$127,000), compared with \$499,000 in the three months ended August 31, 2006 and \$174,000 in the three months ended November 30, 2005. The net loss in the first quarter, exclusive of the non-cash book entry of \$272,000 for stock based compensation, being the calculated value of the stock options granted and / or vested during that period, was \$227,000.

Other significant expense categories included:

- a) general and administration expenses of \$148,000 in the three months ended November 30, 2006, compared with \$114,000 in the first quarter ended August 31, 2006 and \$57,000 in the first quarter of fiscal 2006. These costs have been rising steadily due to the increase in administrative employees, an increase in the number of offices rented, general telecommunication cost increases due to greater geographical spread of activities and \$25,000 spent on investigating geothermal initiatives in the first quarter;
- b) professional fees of \$60,000, compared with \$18,000 in the first quarter (and \$73,000 in the three months ended November 30, 2005). In the second quarter, this related primarily to audit fees (including additional work required as a result of the New Zealand prospectus and listing), compared to legal fees incurred in respect of creating a land purchase option agreement template and advice in relation to capital transactions in the first quarter;
- c) net salaries (after exploration recharges) of \$28,000, compared with \$36,000 and \$30,000 in the three months ended August 31, 2006 and November 30, 2005 respectively, includes two full time senior executives (the COO and CFO); and
- d) consulting fees of \$32,000, compared with \$27,000 and \$8,000 in the three months ended August 31, 2006 and November 30, 2005 respectively, includes the fees paid to the Finance and Investor Relations Vice Presidents, as well as a general technical consultant.

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 (Taupo Volcanic Region).

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 November 30, 2006, May 31, 2006 and May 31, 2005 reflect the assets, liabilities and results of operations of GENZL, the legal subsidiary, prior to the reverse takeover and the consolidated assets, liabilities and results of operations of the Company and GENZL subsequent to the reverse takeover. The consolidated financial statements are issued under the name of the legal parent (the Company), but are deemed

to be a continuation of the legal subsidiary (GENZL). 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 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	-	130	(0.16)	(0.16)	13,758	-	-
2007 – Q1	-	499	(0.72)	(0.72)	6,841	-	-
Nov 30, 2006	-	629	(0.76)	(0.76)	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	-	-
May 31, 2006	-	1,307	(2.12)	(2.12)	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	-	-
May 31, 2005	-	591	(0.96)	(0.96)	N/A	N/A	-

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

(In thousands of Canadian dollars.)

	3 months November 30, 2006	3 months August 31, 2006	12 months May 31, 2006
Cash	7,603	1,170	1,403
Working capital	7,498	1,007	1,127
Cash used by operating activities	(178)	(333)	(882)
Cash used by investing activities	(568)	(276)	(1,521)
Cash provided by financing activities	7,179	376	2,447

In the three months ended November 30, 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 in the first quarter.

In the three months ended August 31, 2006, \$0.5 million gross cash was raised through the

issuance of common shares. Issue costs incurred amounted to \$8,000.

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 \$54,483 in the current period (six months ended November 30, 2005: Nil).
- 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 \$69,738 in the current period (six months ended November 30, 2005: \$62,000).
- c) During the current period management fees of \$16,500 (six months ended November 30, 2005: \$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, \$26,722 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 November 30, 2005: \$26,175). 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 November 30, 2005: Nil).
- e) During the current period, \$4,403 was paid to non-executive director Mr. J. Dow for additional duties undertaken by him in relation to the fund raising in New Zealand and the subsequent listing of the Company's shares on the New Zealand Exchange's Alternative Exchange (NZAX).

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 year ended May 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 70%) 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 30%).

Contractual Obligations and Commitments

- a) The Company had no capital expenditure commitments as at November 30, 2006 (May 31, 2006: Nil). Subsequent to the period end, the Company entered into a contract with Fugro BTW Limited for the 2007 OTAGO AIRBORNE SURVEY. The total value of this contract is between \$2.0 and \$4.2 million, depending on the number of line kilometres actually flown. The Company expects to recover a portion of the contract value from various New Zealand authorities.
- 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	\$17,691
2008	\$35,383
2009	<u>\$22,635</u>
	<u>\$75,709</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 year ended May 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

Aurora Minerals South Island Joint Venture

In December 2006, Glass Earth entered into a Letter of Intent with Aurora Minerals Limited (ASX and NZX code: ARM) to carry out a Joint Venture on Aurora Mineral's 100% owned Macraes West Project (1,173 square kilometres), which is just west of the 2 million ounce Macraes Gold Mine in the Otago District of the South Island, New Zealand. The Aurora Mineral's license area covers the possible westward extension of the Hyde – Macraes shear which hosts the Macraes mine mineralization. Glass Earth has significant permit holdings in the Otago Region contiguous to Macraes West and the Aurora Minerals permit will extend the area covered by the Glass Earth Permits.

In terms of the joint venture, Glass Earth will be required to:

- Fund an airborne geophysical survey over Macraes West;
- Process the raw data;
- Interpret the data and identify targets; and
- Plan and recommend a follow-up exploration campaign.

Glass Earth may earn a 70% interest in the project by spending NZ\$750,000 and will be the manager of the joint venture. After Glass Earth has spent NZ\$750,000, Aurora may then elect to fund its 30% interest of joint venture expenditure, or dilute. If Aurora Minerals dilutes to a 20% interest in the joint venture, then Aurora Minerals will have a 20% carried interest until commencement of a bankable feasibility study. Prior to a decision being made on commencing a bankable feasibility study, Aurora may elect to claw back to a 30% interest in the joint venture by reimbursing GENZL an amount equal to twice what it would have spent had it been contributing pro-rata for its 30%.

Subsequent expenditures would be shared in accordance with the party's respective percentage interests in the joint venture, unless either party wished to not incur additional costs, in which case dilution of their existing equity would take place under an agreed formula.

The detailed joint venture agreement will be conditional on the consent of the Minister, pursuant to section 41 of the (New Zealand) Crown Minerals Act, Crown Minerals work programme approvals and negotiation of final terms.

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 its first target, at Tahunaatara. 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 a joint venture with Newmont Waihi Gold Ltd. on Glass Earth's Waihi West exploration permit alongside the Martha mine. Newmont Mining may earn an initial 60% equity in the permit by expending NZ\$1.5 million (approximately \$1.125 million) on exploration activities. 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.

Recent financing activities in Canada and New Zealand should provide Glass Earth with adequate exploration funding through calendar 2008.

For additional information, please refer to the Company's website at www.glassearchlimited.com and for regulatory filings, including news releases, please refer to 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 year ended May 31, 2006.

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 January 25, 2007, the following items were issued and outstanding:

- 129,902,633 common shares;
- 11,140,000 common share purchase options with an average exercise price of \$0.16 per share and expiry dates of between February 22, 2011 and November 30, 2011;
- 23,375,998 common share purchase warrants with an average exercise price of \$0.28 per share and expiry dates of between March 31, 2007 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 18,458,424 common shares remain subject to the provisions of the escrow agreement.

January 25, 2007