

GLASS EARTH GOLD LIMITED
(incorporated in Canada)

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

(Stated in Canadian Dollars)

CONTENTS

Page

Canadian declaration - Management's Responsibility for Financial Reporting	2
New Zealand declaration - Directors' declaration	3
Auditors' reports	4 - 6
Statement of Financial Position	7
Statement of Changes in Equity	8 - 9
Statement of Comprehensive Income	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 - 41

CANADIAN DECLARATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Glass Earth Gold Limited (formerly Glass Earth Limited) and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

Glass Earth maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. ("Committee")

The Committee is appointed by the Board, and the majority of its members are independent non executive directors. The Committee meets at least four times a year with management, and as required with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the quarterly and the annual reports, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors. The consolidated financial statements have been audited by KPMG, the external auditors, in accordance with the International Standards on Auditing and International Standards on Auditing (New Zealand) on behalf of the shareholders. KPMG has full and free access to the Audit Committee.

Simon Henderson

President and Chief Executive Officer

Peter Liddle

Chief Financial Officer

March 27, 2012

NEW ZEALAND DECLARATION

DIRECTORS' DECLARATION

In the opinion of the directors of Glass Earth Gold Limited, the consolidated financial statements and notes, on pages 7 to 41:

- comply with both International Financial Reporting Standards ("IFRS") and generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and the group as at December 31, 2011 and the results of their operations and cash flows for the year ended on that date, and
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and the group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the company and group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements for Glass Earth Gold Limited for the year ended December 31, 2011.

For and on behalf of the Board of Directors



S M Henderson
Director
Date: 27 March 2012



P Liddle
Director
Date: 27 March 2012



Independent Auditor's Report based on New Zealand Generally Accepted Accounting Practice

To the shareholders of Glass Earth Gold Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Glass Earth Gold Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 7 to 41. The financial statements comprise the statements of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the company and group in relation to taxation services. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 7 to 41:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 December 2011 and of the financial performance and cash flows of the company and the group for the year then ended.



Emphasis of matter

We draw attention to Note 3 to the financial statements which indicates that the group incurred a net loss of \$1,714,000 during the year ended 31 December 2011, has an accumulated deficit of \$12,712,000 as at that date, and that the company and groups financial statements have been prepared on a going concern basis, the validity of which wholly depends upon the company and the group's ability to obtain additional financing, the discovery, development or sale of mining reserves, controlling expenditure and achievement of profitable operations. If the company and group were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the fact that assets may need to be realised at amounts other than those at which they are currently recorded in the statement of financial position, and the company and the group may have to provide for further liabilities that may arise. In addition, the company and the group may have to reclassify fixed assets and long-term liabilities as current assets and liabilities. These conditions, along with other matters as set out in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the company and the group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Glass Earth Gold Limited as far as appears from our examination of those records.

28 March 2012

Auckland



Independent Auditors' Report based on International Financial Reporting Standards

To the Shareholders of Glass Earth Gold Limited

We have audited the accompanying consolidated financial statements of Glass Earth Gold Limited, which comprise the consolidated statements of financial position as at December 31 2011 and 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Glass Earth Gold Limited as at December 31 2011 and 2010, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 in the consolidated financial statements which indicates that Glass Earth Gold Limited's ability to continue as a going concern is dependent upon the company and group's ability to obtain additional financing; the discovery, development or sale of mining reserves; controlling expenditure; and achievement of profitable operations. These conditions, along with other matters as set forth in Note 3 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Glass Earth Gold Limited's ability to continue as a going concern.

28 March 2012

Auckland, New Zealand

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Statement of Financial Position
(in thousands of Canadian Dollars)

	Parent & Subsidiaries	Parent & Subsidiaries	Parent	Parent
	Group	Group	Company	Company
As at December 31	2011	2010	2011	2010
	\$	\$	\$	\$
ASSETS				
Current Assets				
Cash and cash equivalents (Note 5)	3,614	3,981	19	1,404
Trade and other receivable (Note 6)	236	163	-	-
Prepayments	100	36	40	4
Total current assets	3,950	4,180	59	1,408
Non-current assets				
Mineral properties (Note 7)	14,711	13,012	-	-
Property and equipment (Note 8)	817	617	-	-
Intangible assets (Note 9)	2	-	-	-
Investment in subsidiaries (Note 16d)	-	-	4,993	4,993
Advances to subsidiaries (Note 16e)	-	-	13,774	11,640
Total non-current assets	15,530	13,629	18,767	16,633
Total assets	19,480	17,809	18,826	18,041
LIABILITIES				
Current Liabilities				
Trade and other payables (Note 10)	483	573	6	139
Accrued liabilities	68	33	-	-
Subscriptions for equity received in advance	-	443	-	443
Total current liabilities	551	1,049	6	582
Non-current liabilities				
Deferred tax liability (Note 18)	72	109	-	-
Total non-current liabilities	72	109	6	582
Total liabilities	623	1,158	6	582
EQUITY				
Common Shares (Note 11(a))	24,442	21,314	29,066	25,938
Share Purchase Warrants (Note 11(b))	2,318	1,608	2,318	1,608
Contributed Surplus (Note 11(d))	4,809	4,727	4,809	4,727
Deficit Accumulated through Development Stage	(12,712)	(10,998)	(17,373)	(14,814)
Total equity	18,857	16,651	18,820	17,459
Total liabilities and equity	19,480	17,809	18,826	18,041

APPROVED ON BEHALF OF THE BOARD

"signed" Simon Henderson

Simon Henderson, Director

"signed" Peter Liddle

Peter Liddle, Director

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

GLASS EARTH GOLD LIMITED

(A Development Stage Company)

Statement of Changes in Equity - Group

(in thousands of Canadian Dollars except for share issuance costs)

	Common Shares Refer to note 11 re share consolidation	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit accumulated during the development stage	Shareholders' equity total
	#	\$	\$	\$	\$	\$
Balance - January 1, 2010	157,702,633	17,311	4,473	111	(9,531)	12,364
-Issuance of shares on private placement, net of issuance costs of \$12,000	5,720,000	274	-	-	-	274
Balance - March 18, 2010	163,422,633	-	-	-	-	-
Share Consolidation - 1:5	32,684,560	-	-	-	-	-
-Issuance of shares on private placement, net of issuance costs of \$452,000	23,666,799	5,283	-	-	-	5,283
-Issuance of shares pursuant to Farm-In terms	20,000	4	-	-	-	4
-Issuance of shares pursuant to Loan Agreement	100,000	15	-	-	-	15
- Valuation of warrants issued on private placement	-	(1,573)	-	1,573	-	-
- Stock option compensation expense	-	-	178	-	-	178
Expiration of warrants	-	-	76	(76)	-	-
Total comprehensive loss for the period	-	-	-	-	(1,467)	(1,467)
Balance - December 31, 2010	56,471,359	21,314	4,727	1,608	(10,998)	16,651
-Issuance of shares on private placement, net of issuance costs of \$375,000	8,857,850	3,612	-	-	-	3,612
- Valuation of warrants issued on private placement	-	(749)	-	749	-	-
Exercise of warrants	495,200	183	39	(39)	-	183
Exercise of stock options	338,000	82	-	-	-	82
- Stock option compensation expense	-	-	43	-	-	43
Total comprehensive loss for the period	-	-	-	-	(1,714)	(1,714)
Balance - December 31, 2011	66,162,409	24,442	4,809	2,318	(12,712)	18,857

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

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Statement of Changes in Equity - Company
(in thousands of Canadian Dollars except for share issuance costs)

	Common Shares Refer to note 11 re share consolidation	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit accumulated during the development stage	Shareholders' equity total
	#	\$	\$	\$	\$	\$
Balance – January 1, 2010	157,702,633	21,935	4,473	111	(14,317)	12,202
-Issuance of shares on private placement, net of issuance costs of \$12,000	5,720,000	274	-	-	-	274
Balance – March 18, 2010	163,422,633	-	-	-	-	-
Share Consolidation – 1:5	32,684,560	-	-	-	-	-
-Issuance of shares on private placement, net of issuance costs of \$452,000	23,666,799	5,283	-	-	-	5,283
-Issuance of shares pursuant to Farm-In terms	20,000	4	-	-	-	4
-Issuance of shares pursuant to Loan Agreement	100,000	15	-	-	-	15
- Valuation of warrants issued on private placement	-	(1,573)	-	1,573	-	-
- Stock option compensation expense	-	-	178	-	-	178
Expiration of warrants	-	-	76	(76)	-	-
Total comprehensive loss for the period	-	-	-	-	(497)	(497)
Balance – December 31, 2010	56,471,359	25,938	4,727	1,608	(14,814)	17,459
-Issuance of shares on private placement, net of issuance costs of \$375,000	8,857,850	3,612	-	-	-	3,612
- Valuation of warrants issued on private placement	-	(749)	-	749	-	-
Exercise of warrants	495,200	183	39	(39)	-	183
Exercise of stock options	338,000	82	-	-	-	82
- Stock option compensation expense	-	-	43	-	-	43
Total comprehensive loss for the period	-	-	-	-	(2,559)	(2,559)
Balance – December 31, 2011	66,162,409	29,066	4,809	2,318	(17,373)	18,820

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

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Statement of Comprehensive Income
(in thousands of Canadian Dollars, except per share amounts)

	Parent & Subsidiaries	Parent & Subsidiaries	Parent	Parent
	Group	Group	Company	Company
For the year ended 31 December	2011	2010	2011	2010
	\$	\$	\$	\$
Revenue (Note 12)	752	584	-	-
Cost of sales	(523)	(381)	-	-
Gross Profit	229	203	-	-
Administrative expenses (Note 13)	(1,035)	(688)	(609)	(319)
Other expenses (Note 14)	(289)	(424)	(43)	(178)
Impairment of mineral properties (Note 7)	(695)	(574)	-	-
Impairment provision on advances to subsidiaries (Note 16(e))	-	-	(1,907)	-
Results from operating activities	(1,790)	(1,483)	(2,559)	(497)
Finance income (Note 15)	39	28	-	-
Loss before Income Taxes	(1,751)	(1,455)	(2,559)	(497)
Income tax recovery/(expense) (Note 18)	37	(12)	-	-
Net Loss for the year	(1,714)	(1,467)	(2,559)	(497)
Total Comprehensive loss for the year	(1,714)	(1,467)	(2,559)	(497)
Basic loss per share (Note 11e)	(0.03)	(0.03)	-	-
Diluted loss per share (Note 11e)	(0.03)	(0.03)	-	-

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

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Statement of Cash Flows
(in thousands of Canadian Dollars)

	Parent & Subsidiaries	Parent & Subsidiaries	Parent	Parent
	Group	Group	Company	Company
For the year ended 31 December	2011	2010	2011	2010
	\$	\$	\$	\$
Cash flows from (used in) :				
Operating Activities				
<i>Cash Provided from:</i>				
Interest received	21	1	-	-
Cash receipts from customers	694	508	-	-
<i>Cash applied to:</i>				
Payments in the course of operations	(1,649)	(1,226)	(639)	(316)
Net cash used in Operating Activities (Note 22)	(934)	(717)	(639)	(316)
Financing Activities				
Issuance of common shares, for cash	3,780	6,178	3,780	6,178
Share issue costs *	(485)	(326)	(485)	(326)
Net cash provided from Financing Activities	3,295	5,852	3,295	5,852
Investing Activities				
Expenditures on mineral properties	(2,432)	(848)	-	-
Acquisition of property, equipment and intangibles	(296)	(459)	-	-
Legal subsidiary advances	-	-	(4,041)	(4,186)
Net cash used in Investing Activities	(2,728)	(1,307)	(4,041)	(4,186)
Net increase/(decrease) in cash and cash equivalents	(367)	3,828	(1,385)	1,350
Cash and cash equivalents - beginning of year	3,981	132	1,404	54
Foreign exchange gains on translation of monetary item	-	21	-	-
Cash and cash equivalents - end of year	3,614	3,981	19	1,404

* Share issue costs in 2011 also includes most of the commissions for funds raised in December 2010

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

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

1. Reporting entity

Glass Earth Gold Limited (the "Company" or "Glass Earth"), is incorporated under the *Business Corporations Act* (British Columbia) and listed on the Toronto Stock Exchange's Venture Exchange ("TSX-V"). The Company is also registered under the New Zealand Companies Act 1993 and listed on the New Zealand Stock Exchange's Alternative Market ("NZAX"). The Company is an issuer in terms of the New Zealand Financial Reporting Act 1993.

The Company's registered offices are:

- Suite 1750, 1185 West Georgia Street
Vancouver, B.C., Canada V6E 4E6
- Level 2, 93 The Terrace, Wellington 6011, New Zealand

Accordingly, the Company has reporting obligations in both the Canadian and New Zealand jurisdictions.

Financial statements for the Company and consolidated group financial statements are presented. The consolidated group financial statements of Glass Earth Gold Limited as at and for the year ended December 31, 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The Company, through its wholly owned legal subsidiary Glass Earth (New Zealand) Limited ("GENZL"), is engaged in the acquisition and exploration of mineral properties in New Zealand. To date, the Company has earned modest revenues from its exploration and placer (alluvial) mining activities and is considered to be in the Development Stage.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the ability of the Company to raise additional financing, the preservation of its interest in the underlying properties, the discovery of commercially recoverable reserves, the achievement of profitable operations, and/or the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

2. Basis of Preparation

(a) Statement of Compliance

These financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

They have also been prepared in accordance with the Financial Reporting Act 1993 which requires compliance with generally accepted accounting practice in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements were approved by the Board of Directors on March 27, 2012.

- (b) **Basis of measurement**
The financial statements have been prepared on the historical cost basis except for the following:
- Share based payment transactions
 - Valuation of warrants
- (c) **Segment reporting**
The Company operates in one industry: gold exploration and mining.
- (d) **Functional and presentation currency**
These financial statements are presented in Canadian dollars (\$), which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.
- (e) **Use of estimates and judgements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. The Group regularly reviews these estimates and assumptions that affect the financial statements and actual results could differ from those estimates.

Significant areas where management estimates and judgments are applied are:

- the recoverability of exploration expenditures on mineral properties;
- the valuation of tax accounts;
- share based payments; and
- going concern

In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented are reflected in the financial statements.

3. Going Concern

These financial statements have been prepared on a going concern basis. For the year ended December 31, 2011, the Group had a net loss of \$1,714,000 (2010: \$1,467,000) with an accumulated deficit at December 31, 2011 of \$12,712,000 (2010: \$10,998,000).

The Directors have confidence in the operations and prospects of the Company and have prepared these financial statements on a Going Concern basis.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence as a Going Concern is dependent upon the ability of the Company to raise additional financing, the preservation of its interest in the underlying properties, the discovery of commercially recoverable reserves, the achievement of profitable operations, and/or the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

During the year the Company has completed fundraising exercises that have raised \$3.8 million before issuance costs. The Company is planning to meet future expenditures and obligations by raising funds through public offerings, private placements or by farm-outs of mineral properties and by cash generation from placer (alluvial) mining operations. It is not possible to predict whether these efforts will be successful or whether the Company will attain profitable levels of operation.

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous

GLASS EARTH GOLD LIMITED

(A Development Stage Company)

Notes to Financial Statements

(Tabular amounts in thousands of Canadian dollars)

For the year ended December 31, 2011

consent for strategic financial and operating decisions.

Transactions eliminated on consolidation

Intra-group balances are eliminated in preparing the consolidated financial statements.

b) Mineral Properties

Direct property acquisition costs, holding costs, field exploration and field supervisory costs relating to specific properties are capitalized as mineral properties and deferred until the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge to profit and loss will be made. Costs include the cash consideration paid and the fair market value of the shares issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Group are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in income for the year. Costs incurred for administration and general exploration that are not project specific, are charged to profit and loss. The recorded amounts for acquisition costs of properties and their related capitalized exploration expenses represent actual expenditures incurred and are not intended to reflect present or future values.

The Group reviews the capitalized costs on its properties on a periodic, or at least annual, basis and will recognize an impairment in value based upon the stage of exploration work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property. Management's assessment of a property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review. The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Group to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Each area of interest is limited to an individual geological area which is related to a known or probable mineral resource and is considered to constitute a favourable environment for the presence of mineral deposits.

Exploration and evaluation expenditure for each area of interest is carried forward provided that one of the following conditions is met:

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which no longer satisfies the above policy is written off. In addition, a provision is made against accumulated exploration expenditure where the directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the provision is charged against the results for the year.

Expenditure is not carried forward in respect of any area of interest unless the company's rights of tenure to that area of interest are current.

Mining assets

Mining assets are recorded at cost of acquisition less sales, recoupment and amounts written-off. Cost includes pre-production expenditure incurred during the development of the mine.

c) **Property and Equipment**

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any impairment.

Subsequent Costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property and equipment as follows:

Computer Equipment	3 years
Mining Equipment	10 years
Motor Vehicles	5 years
Office Furniture & Equipment	10 years

d) Intangible assets

Software costs have a finite useful life. Software costs are capitalized and amortized on a straight line basis over the estimated economic life of three years.

e) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respected functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and

the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

f) Financial instruments

The Company classified its cash and cash equivalents and amounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

g) Leased assets

Group entities lease certain land and buildings. Operating lease payments, where the lessors effectively retain substantially all the benefits of ownership of the leased items, are recognised in profit and loss in the statement of comprehensive income in equal installments over the lease term.

h) Mineral Property Impairment

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, but at least annually.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Exploration and Evaluation expenditure accumulated and carried forward (as Mineral Properties) is assessed based on recoverable amount, whereby value in use is calculated for each CGU using a discounted cash flow forecast, where objective information is available.

i) **Income Taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

j) **Investment in Subsidiaries**

Investments in subsidiaries are stated at cost less any accumulated impairment losses, which are recognised in profit or loss in the statement of

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011
comprehensive income.

k) Joint Ventures

Joint ventures are a contractual agreement whereby two or more parties undertake an economic activity that is subject to unanimous consent.

When a member of the group participates in a joint venture arrangement, that member recognises its proportionate interest in the individual assets, liabilities, revenue and expenses of the joint venture in the financial statements under the appropriate headings.

l) Payables

Trade and other payables are recognised when the group becomes obliged to make future payments resulting from the purchase of goods and services.

m) Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognised as a deduction from equity.

n) Employee benefits

Employee entitlements to salaries and wages, annual leave, bonuses and other benefits are recognised when they accrue as a result of services rendered prior to balance date.

m) Stock-based Compensation

The Company's shareholders have approved a stock option plan. Under the plan, stock based compensation awards will be available to officers, directors, employees and non-employees. All stock-based payments made to employees have been accounted for using a fair value-based method of accounting. The fair value of each stock option is accounted for in profit and loss, over the vesting period thereof, and the related credit is included in contributed surplus. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market verifying conditions are expected to meet such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. If and when the stock options are ultimately exercised and are issued, the applicable units of additional paid-in capital and contributed surplus will be transferred to share capital. The fair value is calculated based on the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable.

The fair value of stock options granted to non-employees is recognised as the fair value of the goods or services received.

The Company's stock-based compensation plan is described in Note 12(c).

n) Earnings per Share

The Company presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary share, which comprise share warrants and options.

Determination of fair value

Share based payment transactions

The fair value of employee stock options are measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

o) Revenue

Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns and allowances. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer and recovery of the consideration is probable. Other revenue represents sales of services rendered and is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

p) Interest

Interest income is recognised as it accrues, using the effective interest method.

q) Farm-In

Expenditures incurred on exploration "farm-in" projects are capitalized while the farm-in obligations are being undertaken. Should an equity interest in the project not vest due to non-compliance of the farm-in obligations or otherwise, accumulated expenditures are written off to profit or loss in the statement of comprehensive income.

GLASS EARTH GOLD LIMITED

(A Development Stage Company)

Notes to Financial Statements

(Tabular amounts in thousands of Canadian dollars)

For the year ended December 31, 2011

r) Segment Reporting

The determination of the Company's operating segments and the information reported for the operating segments is based on the management approach. The Company's President and Chief Executive Officer, has been identified as the Company's chief decision maker for the purpose of segment reporting. The Company only operates in New Zealand and reports internally using the same reports and accounting policies as used in the annual financial statements. The Company operates in one segment: gold exploration and mining.

s) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

t) Financial instruments

The carrying amounts related to Trade and other receivables and Trade and other payables and Accrued Liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments.

u) Changes in Accounting Policies

There have been no changes in accounting policies during the period.

v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2011 and have not been applied in preparing these financial statements:

IFRS 9, Financial Instruments, specifies how an entity should classify and measure financial assets. IFRS 9 is effective for accounting periods beginning January 1, 2013. The group has not yet determined the potential impact of the amendment, if any.

IFRS 10, Consolidated Financial Statements, identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective for accounting periods beginning on or after January 1, 2013. The group has not yet determined the potential impact of the amendment.

IFRS 11, Joint Arrangements, establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interest in Joint Ventures and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Ventures, and is effective for the annual periods beginning on or after January 1, 2013. The group has not yet determined the potential impact of the amendment.

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

IFRS 12, Disclosures of Interests in Other Entities, applies to entities that have an interest in a subsidiary, a joint venture, an associate or an unstructured entity. IFRS 12 is effective for accounting periods beginning on or after January 1, 2013. The group has not yet determined the potential impact of the amendment.

IFRS 13, Fair Value Measurement, defines fair value, sets a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. IFRS 13 is effective for accounting periods beginning on or after January 1, 2013. The group has not yet determined the potential impact of the amendment.

IAS 19, Employee Benefits, prescribes the accounting and disclosure for employee benefits. IAS 19 is effective for accounting periods beginning on or after January 1, 2013. The group has not yet determined the potential impact of the amendment.

IAS 28, Investments in Associates, prescribes the accounting for investments in associates and sets out the requirements for the application of the equity accounting method when accounting for investments in associates and joint ventures. IAS 28 is effective for accounting periods beginning on or after January 1, 2013. The group has not yet determined the potential impact of the amendment.

5. Cash and cash equivalents

	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
Bank balances	3,413	2,951	-	390
Call deposits	182	16	-	-
Solicitor's trust account	19	1,014	19	1,014
	<u>3,614</u>	<u>3,981</u>	<u>19</u>	<u>1,404</u>

6. Trade and other receivables

	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
Trade receivables	44	55	-	-
Other receivables	192	108	-	-
	<u>236</u>	<u>163</u>	<u>-</u>	<u>-</u>

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

7. Mineral Properties

	2011 \$	2010 \$
Balance – beginning of period	13,012	12,540
Expenditure on Projects:		
Airborne survey	-	102
Geological consulting, mapping and modeling	992	511
License rental	216	231
Resistivity surveys	-	8
Drilling	<u>1,186</u>	<u>194</u>
Total project expenditure for the period	2,394	1,046
Write downs of Mineral Properties	(695)	(574)
Balance – end of year/period	<u>14,711</u>	<u>13,012</u>

The Company's exploration activities are carried out solely in New Zealand and have been divided into five projects. Expenditures made on account of mineral properties by the Company were as follows:-

Project	Opening Balance January 1, 2011 \$	Expenditure to December 31, 2011 \$	Amortisation to December 31, 2011* \$	Impairment to December 31, 2011 \$	Closing Balance December 31, 2011 \$
Otago Region	5,532	1,207	(40)	(138)	6,561
Hauraki Region	1,140	690	-	(297)	1,533
Waihi West Joint Venture	103	-	-	-	103
Mamaku - Muirs Region	2,335	504	-	-	2,839
Central Volcanic Region	3,902	33	-	(260)	3,675
	<u>13,012</u>	<u>2,434</u>	<u>(40)</u>	<u>(695)</u>	<u>14,711</u>

*The amortisation expense is included in cost of sales at December 31, 2011

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

Project	Opening Balance January 1, 2010	Expenditure to December 31, 2010	Impairment to December 31, 2010	Closing Balance December 31, 2010
	\$	\$	\$	\$
Otago Region	5,736	370	(574)	5,532
Hauraki Region	982	158	-	1,140
Waihi West Joint Venture	103	-	-	103
Mamaku - Muirs Region	1,861	474	-	2,335
Central Volcanic Region	3,858	44	-	3,902
	12,540	1,046	(574)	13,012

A summary of joint ventures is listed below:-

Otago Region

- a) Glass Earth has a 90% interest in a joint venture with New Zealand Minerals Limited, over their combined Otago Region tenement portfolio.
- b) Glass Earth has a 70% interest in a joint venture with Aurora Minerals Limited over the area covered by the former Prospecting Permit 39-267 (now subsumed into subsequent permits).
- c) Glass Earth has earned a 50% interest in a joint venture with Ophir Gold Limited to facilitate exploration and mining on their combined permits in an area of central Otago known as Ophir.
- d) Glass Earth has a 50% interest in a joint venture to operate Dunstan Mining Limited. Refer to subsequent event note 23.

Hauraki Region

The Company has 2 joint ventures with Newmont Mining Corp ("Newmont"). Newmont has earned a 65% equity interest in each of 2 areas of the Hauraki Region (named Northern and Central). Newmont declined to complete its earn-in to the Southern area.

- i) Glass Earth may request that Newmont arrange Glass Earth's share of financing in return for a further 5% equity in a venture area; and
- ii) Glass Earth and Newmont will be liable (in proportion to their equity interests) for the Geoinformatics Exploration Inc. 2% royalty on any production from identified and acknowledged targets in the Hauraki Region permit area.

Waihi West Region

In April 2006, Newmont Mining Corp, joint ventured into this permit area adjacent to their Martha gold/silver mine at Waihi. Under the joint venture terms, Newmont may undertake an exploration program (including drilling) as follows:

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

- a) Initial work obligation of circa \$332,000 (NZ\$400,000) within 12 months, from April 2006, then decision point to spend additional circa \$913,000 (NZ\$1,100,000) within next 24 months to earn 60%;
- b) Newmont can elect to prepare a feasibility study to earn a further 15%;
- c) Glass Earth can request that Newmont arrange Glass Earth's share of financing in return for a further 5% equity; and
- d) Glass Earth remains responsible for the Geoinformatics 2% royalty on the Glass Earth interest in the Waihi West Joint Venture;

Glass Earth agreed to a two year extension to the expenditure period out to March 31 2011 and is considering a further extension. As at December 31, 2011, Newmont has expended approximately 71% of the exploration funds to earn the initial 60% equity.

Write downs of Mineral Properties

A review of targets led to the relinquishment of ground containing some lesser ranked targets. Write offs of exploration expenditures, incurred over several years totalled \$695,000 (2010: \$574,000).

8. Property and Equipment

Group	Computer Equipment	Motor Vehicles	Mining Equipment	Other Assets	Total
Cost	\$	\$	\$	\$	\$
Balance as at January 1, 2010	108	174	-	139	421
Additions	4	29	473	9	515
Disposals	(9)	(93)	-	-	(102)
Transfers	-	-	89	(89)	-
Balance as at December 31, 2010	103	110	562	59	834
Additions	13	19	261	1	294
Disposals	(59)	-	-	(1)	(60)
Balance as at December 31, 2011	57	129	823	59	1,068
Accumulated Depreciation					
Balance as at January 1, 2010	83	82	-	37	202
Depreciation for the year	13	25	14	17	69
Disposals	-	(54)	-	-	(54)
Balance as at December 31, 2010	96	53	14	54	217
Depreciation for the year	6	20	66	2	94
Disposals	(59)	-	-	(1)	(60)
Balance as at December 31, 2011	43	73	80	55	251
Carrying amounts					
At December 31, 2009	25	92	-	102	219
At December 31, 2010	7	57	548	5	617
At December 31, 2011	14	56	743	4	817

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

9. Intangible assets

Group	Software
Cost	\$
Balance as at January 1, 2010	110
Additions	-
Balance as at December 31, 2010	110
Additions	2
Disposals	(65)
Balance as at December 31, 2011	47
Accumulated Amortisation	
Balance as at January 1, 2010	91
Amortisation for the year	19
Balance as at December 31, 2010	110
Amortisation for the year	-
Disposals	(65)
Balance as at December 31, 2011	45
Carrying amounts	
At December 31, 2009	19
At December 31, 2010	-
At December 31, 2011	2

10. Trade and other payables

	Group	Group	Company	Company
	2011	2010	2011	2010
	\$	\$	\$	\$
Trade payables	444	543	-	-
Other payables	39	30	6	139
	483	573	6	139

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

11 Shareholders' Equity

a) Common Shares

Authorized: Unlimited number of common shares with no par value.

Issued and Outstanding:

	Number of Common Shares #	Amount Group \$	Amount Company \$
Outstanding January 1, 2010	157,702,633	17,311	21,935
Issued pursuant to private placement (i)	5,720,000	286	286
Outstanding March 18, 2010	163,422,633	17,597	22,221
Share Consolidation - 1:5 (ii)	32,684,560	17,597	22,221
Issued pursuant to private placement (iii)	8,667,500	1,733	1,733
Issued pursuant to Farm-In Terms (iv)	20,000	4	4
Issued pursuant to private placement (v)	4,983,000	997	997
Issued pursuant to loan agreement (vi)	100,000	15	15
Issued pursuant to private placement (vii)	10,016,299	3,005	3,005
Share Purchase Warrant Valuation (Note 11(b))	-	(1,461)	(1,461)
Finders' fee - compensation warrants issued	-	(112)	(112)
Finders' fee - cash paid	-	(371)	(371)
Share issue costs	-	(93)	(93)
Outstanding December 31, 2010	56,471,359	21,314	25,938
Issued pursuant to private placement (viii)	3,538,666	1,062	1,062
Exercise of warrants	495,200	183	183
Exercise of stock options	338,000	82	82
Issued pursuant to private placement (ix)	4,717,184	2,594	2,594
Issued pursuant to private placement (x)	602,000	331	331
Share Purchase Warrant Valuation (Note 11(b))	-	(658)	(658)
Finders' fee - compensation warrants issued	-	(91)	(91)
Finders' fee - cash paid	-	(284)	(284)
Share issue costs	-	(91)	(91)
Outstanding December 31, 2011	66,162,409	24,442	29,066

On March 30, 2005, the Company completed the acquisition of all the outstanding common shares of GENZL, in exchange for common shares of the Company. Pursuant to the terms of the Share Exchange Agreement entered into with GENZL

GLASS EARTH GOLD LIMITED

(A Development Stage Company)

Notes to Financial Statements

(Tabular amounts in thousands of Canadian dollars)

For the year ended December 31, 2011

and its shareholders, the Company issued 36,000,720 common shares to acquire the 16,667 outstanding common shares of GENZL. The acquisition of the shares of GENZL has been accounted for as a reverse takeover transaction.

The holders of common shares are entitled an equal share in distributions and to one vote per share at meetings of the Company.

- (i) On January 8, 2010, 5,720,000 common shares were issued for 5 cents per Unit, each Unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of 10 cents per share for a period of three years following the date of issue of the Units.
- (ii) On March 18, 2010 the Company announced the completion of a consolidation of its share capital on a five (5) old for one (1) new share basis.
- (iii) On May 5, 2010, 8,667,500 common shares were issued for 20 cents per Unit, each Unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of 35 cents per share for a period of two years following the date of issue of the Units.
In connection with this private placement, the Company paid finders' fees of \$145,000 and granted 688,600 non-transferable finders' warrants to the finders. Each warrant entitles the holder to purchase one common share at a price of 35 cents per share, exercisable until May 5, 2012.
- (iv) On June 3, 2010, 20,000 common shares were issued for 22 cents per share, pursuant to Farm In terms
- (v) On June 7, 2010, 4,983,000 common shares were issued for 20 cents per Unit, each Unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of 35 cents per share for a period of two years following the date of issue of the Units.
In connection with this private placement, the Company paid finders' fees of \$66,000 and granted 321,840 non-transferable finders' warrants to the finders. Each warrant entitles the holder to purchase one common share at a price of 35 cents per share exercisable until June 7, 2012.
- (vi) On June 21, 2010, 100,000 common shares were issued for 15 cents per share, in relation to a short term loan, which was facilitated and repaid during the June quarter.
- (vii) On December 28, 2010, 10,016,299 common shares were issued for 30 cents per Unit, each Unit consisting of one common share and one half of a common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of 50 cents per share for a period of two years following the date of issue of the Units.

GLASS EARTH GOLD LIMITED

(A Development Stage Company)

Notes to Financial Statements

(Tabular amounts in thousands of Canadian dollars)

For the year ended December 31, 2011

In connection with this private placement, the Company paid finders' fees of \$160,000 and granted 534,640 non-transferable finders' warrants to the finders. Each warrant entitles the holder to purchase one common share at a price of 50 cents per share exercisable until December 28, 2012.

- (viii) On January 18, 2011, 3,538,666 common shares were issued for 30 cents per Unit, each Unit consisting of one common share and one half of a common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of 50 cents per share for a period of two years following the date of issue of the Units.

In connection with this private placement, the Company paid finders' fees of \$85,000 and granted 283,093 non-transferable finders' warrants to the finders. Each warrant entitles the holder to purchase one common share at a price of 50 cents per share exercisable until January 6, 2013.

- (ix) On September 23, 2011, 4,717,184 common shares were issued for 55 cents per Unit, each Unit consisting of one common share and one half of a common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of 80 cents per share for a period of two years following the date of issue of the Units.

In connection with this private placement, the Company paid finders' fees of \$177,000 and granted 307,357 non-transferable finders' warrants to the finders. Each warrant entitles the holder to purchase one common share at a price of 80 cents per share for a period of two years following the date of issue of the Units.

- (x) On October 5, 2011, 602,000 common shares were issued for 55 cents per Unit, each Unit consisting of one common share and one half of a common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of 80 cents per share for a period of two years following the date of issue of the Units.

In connection with this private placement, the Company paid finders' fees of \$22,000 and granted 39,900 non-transferable finders' warrants to the finders. Each warrant entitles the holder to purchase one common share at a price of 80 cents per share for a period of two years following the date of issue of the Units.

- (xi) As at the balance date, no common shares remain subject to the provisions of any escrow provisions. (2010: Nil).

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

b) Share Purchase Warrants

The Company and Group's movement in share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price	Fair Value upon issue	Weighted Average Fair Value upon issue
	#	\$ per share	\$	\$ per share
Balance January 1, 2010	3,130,000	0.19	111	0.03
Granted – January 8, 2010	5,720,000	0.10	118	0.02
Expired	(1,430,000)	-	(76)	-
Outstanding March 18, 2010	7,420,000	0.10	153	0.02
Consolidation - 1:5	1,484,000	0.50	153	0.10
Granted – May 5, 2010	9,356,100	0.35	749	0.08
Granted – June 7, 2010	5,304,840	0.35	318	0.06
Granted – December 28, 2010	5,542,790	0.50	388	0.07
Exercised	-	-	-	-
Expired	-	-	-	-
Balance December 31, 2010	21,687,730	0.40	1,608	0.07
Granted – January, 2011	2,052,426	0.50	185	0.09
Granted – September, 2011	2,665,949	0.80	506	0.19
Granted – October, 2011	340,900	0.80	58	0.17
Exercised	(495,200)	0.37	(39)	-
Expired	-	-	-	-
Balance December 31, 2011	26,251,805	0.45	2,318	0.09

Summary of outstanding warrants at December 31, 2011:

Expiry Date	Exercise Price \$ per share	Warrants outstanding #	Fair value upon issue \$
May 5, 2012	0.35	9,106,500	729
June 7, 2012	0.35	5,102,840	307
December 28, 2012	0.50	5,517,790	386
December 29, 2012	0.50	346,400	35
January 6, 2013	0.50	2,027,426	183
January 8, 2013	0.50	1,144,000	114
September 23, 2013	0.80	2,665,949	506
October 5, 2013	0.80	340,900	58
		26,251,805	2,318

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

The fair value of each warrant was determined on the date of grant using the Black-Scholes option pricing model, based on the following assumptions:

	2011	2010
Risk-free interest rate	0.95% - 1.38%	0.67% - 1.20%
Expected life	2 years	2 years
Expected volatility	75% - 110%	75% - 110%
Expected dividends	-	-

Option pricing models require the input of highly subjective assumptions. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing model does not necessarily provide a reliable measure of the fair value of the Company's warrants at date of grant. Expected volatility is estimated by considering historic average share price volatility.

c) Stock-Based Compensation

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

The Company and Group's movement in stock options is as follows:

	Number of Options Issued and Vested #	Weighted Average Exercise Price \$ per share	Weighted Average Fair Value \$ per share
Balance - January 1, 2010	12,305,000	0.163	0.0860
Consolidation - 1:5	2,461,000	0.815	0.43
Granted	2,270,000	0.2408	0.10
Exercised	-	-	-
Cancelled/Expired	(105,000)	-	-
Balance - December 31, 2010	4,626,000	0.5289	0.2650
Granted	-	-	-
Exercised	(338,000)	-	-
Cancelled/Expired	(1,460,000)	-	-
Outstanding - December 31, 2011	2,828,000	0.4361	0.1956
Exercisable - December 31, 2011	2,828,000	0.4361	0.1956

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

During the year 1,460,000 options with a weighted average exercise price of \$0.7750 expired unexercised, and 338,000 options with a weighted average exercise price of \$0.2426 were exercised (2010: 105,000 options with a weighted average exercise price of \$0.97 expired unexercised and no options were exercised).

The weighted average remaining contractual life of the options is two years and one month as of December 31, 2011. (December 2010: Two years and five months). The range of exercise prices is \$0.21 to \$1.03.

d) Contributed Surplus

The following summarizes contributed surplus activity during the period for the company and group.

	2011 \$	2010 \$
Balance, beginning of period	4,727	4,473
Stock-based compensation in the period on		
- Stock options granted / vesting	43	178
Expiration of Share Purchase Warrants	-	76
Exercise of Share Purchase Warrants	39	-
Balance, end of period	4,809	4,727

Included in contributed surplus are the following stock options at valuations determined using the Black-Scholes option pricing model as a basis:

Grant Date	Expiry Date	Number of Options	Exercise Price \$ per share	Amount (*) upon issue \$
Mar 27, 2007	Mar 27, 2012	280,000	0.900	148
Jul 17, 2007	Jul 17, 2012	40,000	1.030	22
Dec 20, 2007	Dec 20, 2012	260,000	0.990	130
Jul 24, 2008	Jul 24, 2013	240,000	0.750	60
Sep 23, 2008	Sep 23, 2013	38,000	0.500	1
May 4, 2010	May 4, 2012	250,000	0.350	20
Jul 21, 2010	Jul 21, 2013	250,000	0.300	40
Aug 16, 2010	Aug 16, 2015	1,470,000	0.210	132
		2,828,000		553

(*) Black-Scholes valuation basis

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011
e) Earnings per share

The calculation of basic and fully diluted earnings per share at December 31, 2011 was based on the loss attributable to ordinary shareholders of \$1,714,000 (2010: \$1,467,000) and a weighted average number of ordinary shares on issue as at the date of these financial statements of 61,519,565 (2010: 50,155,695).

12. Revenue

	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
Gold sales	678	410	-	-
Equipment rental	74	168	-	-
Other	-	6	-	-
	<u>752</u>	<u>584</u>	<u>-</u>	<u>-</u>

13. Administrative expenses

	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
Auditor's remuneration	61	64	-	-
Consultancy fees	28	16	16	-
Depreciation	72	59	-	-
Directors fees	29	38	29	38
General and administration	192	188	44	37
Investor relations	392	123	392	123
Operating lease expense	43	20	-	-
Professional fees	83	52	35	34
Registry and filing	93	87	93	87
Travel and accommodation	42	41	-	-
	<u>1,035</u>	<u>688</u>	<u>609</u>	<u>319</u>

14. Other expenses

	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
Wages and salaries	246	246	-	-
Share-based compensation	43	178	43	178
	<u>289</u>	<u>424</u>	<u>43</u>	<u>178</u>

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

15. Finance income and expense

	Group 2011	Group 2010	Company 2011	Company 2010
	\$	\$	\$	\$
Interest income	21	1	-	-
Foreign exchange gains	18	27	-	-
Finance expense	-	-	-	-
Net finance income	39	28	-	-

16. 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) Simon Henderson (a director and former shareholder of GENZL) became an employee of GENZL on April 1, 2005. He received \$187,483 for the year (2010: \$178,948). Use of a motor vehicle, life and health insurance benefits are also provided.
- b) Peter Liddle (a director and former shareholder of GENZL) became an employee of GENZL on May 15, 2006. He received \$152,479 for the year (2010: \$134,651). Use of a motor vehicle, life and health insurance benefits are also provided.
- c) During the year the following annual Directors fees were paid to non-executive directors: - John Dow \$12,500, Stephen Burns \$5,000, Richard Billingsley \$3,750 and Paul Jones \$7,500. (2010: John Dow \$12,500, Stephen Burns \$10,000, Richard Billingsley \$7,500 and Paul Jones \$7,500.)
- d) Group entities

Legal subsidiaries	Country of incorporation	Ownership Interest (%)	
		2011	2010
Glass Earth (New Zealand) Limited	New Zealand	100	100
HPD New Zealand Limited	New Zealand	100	100
Glass Earth Geothermal Limited	New Zealand	100	100

- e) Advances to subsidiaries

At year end the parent company held an investment in subsidiaries and advances to subsidiaries of CAD 20.7 million, measured on an historical cost basis. The net assets of the group, also measured on an historical cost basis are CAD 18.8 million.

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

This divergence has arisen as the operating subsidiary, GENZL, incurs expenditures and write-downs of its mineral properties accumulated exploration expenditures. As the carrying value of the net assets of the subsidiaries are less than the Parent company's carrying cost an impairment has been recorded in the Parent company's accounts and disclosed in the financial statements as such.

At December 31, 2011, the Parent company records a balance of \$13,774,000 (2010: \$11,310,000) owing by Glass Earth (New Zealand) Limited to the Company and a nil balance owing by HPD New Zealand Limited to the Company (2010: \$330,000). The balances represent loans advanced by the Company to fund exploration activities. The loans are non interest bearing and repayable on demand. There is no intent by the Company to demand payment in the next twelve months.

17. Investment in jointly controlled entity

In October 2010, the group's subsidiary, GENZL entered into a joint venture to operate Dunstan Mining Limited. The group has a 50% interest. The financial statements of the joint venture are unaudited. The joint venture has a balance date of March 31.

The following amounts represent the group's share of the assets and liabilities, income and results of the joint venture. These are included in the Statement of Financial Position and the Statement of Comprehensive Income.

	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
ASSETS				
Current assets				
Cash and cash equivalents	14	20	-	-
Amounts receivable	54	17	-	-
Total current assets	68	37	-	-
Non-current assets				
Property and equipment	620	534	-	-
Total non-current assets	620	534	-	-
Total assets	688	571	-	-
LIABILITIES				
Current Liabilities				
Payables	30	16	-	-
Total liabilities	30	16	-	-
Net assets	658	555	-	-
Revenue	752	48	-	-
Cost of revenue	(478)	(64)	-	-
Profit/(Loss) pre tax	274	(16)	-	-

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

Notes to Financial Statements

(Tabular amounts in thousands of Canadian dollars)

For the year ended December 31, 2011

None of the Joint Venture arrangements give rise to any contingent liabilities or capital commitments at balance date.

Refer to subsequent event note 23.

18. Income Taxes

a) Provision for income taxes:

Major items causing the Group's income tax rate to differ from the Canadian statutory tax rate of approximately 28.5% (2010: 28.5%) were as follows:-

	Group 2011	Group 2010	Company 2011	Company 2010
	\$	\$	\$	\$
Loss for the year	(1,751)	(1,455)	(2,559)	(497)
Expected income tax recovery at the statutory rate of 28.2% (Canada: 28.5%; New Zealand: 28%) (2010: 29.5%)	(483)	(429)	(729)	(142)
Foreign exchange (losses)/gains	138	70	-	-
Stock-based compensation	12	51	12	51
Non deductible expense	13	5	13	5
Exploration write off and impairment	195	172	-	-
Impairment provision on loans to subsidiaries	-	-	543	-
Tax losses not recognised	125	131	161	86
Income tax (benefit)/expense	-	-	-	-

b) Unrecognised deferred tax assets:

Tax effect of net operating loss carried forward - Glass Earth Gold Limited	979	819	979	819
Tax effect of net operating loss carried forward - GENZL	276	282	-	-
Tax effect of net operating loss carried forward - HPD	-	-	-	-
Tax losses not recognised	(1,255)	(1,101)	(979)	(819)
	-	-	-	-

The Group has tax operating losses available to be applied against future year's income amounting to \$16 million. In order to record a future income tax benefit, it must be more likely than not that the future tax asset resulting from the tax losses available for carry forward will be realized. Given the Group's classification as a development stage company and future uncertainty regarding profitability, no future income tax benefit is recognised.

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

c) Capitalized exploration expenditures				
- Future tax liability:	Group	Group	Company	Company
	2011	2010	2011	2010
	\$	\$	\$	\$
Future tax liability on capitalized exploration expenditure	4,119	3,904	-	-
Tax effect of exploration expenditure losses carried forward - GENZL	(4,047)	(3,795)	-	-
	<u>72</u>	<u>109</u>	<u>-</u>	<u>-</u>

The future tax liability of \$4,119,000 reflects the future tax that would be payable on the exploration expenditure capitalized for accounting purposes. Available tax losses in respect of exploration expenditure have been offset against this future tax liability. There is a shortfall of \$72,000 which is recognised in the consolidated Statement of Financial Position.

d) Movement in deferred tax

Capitalised Exploration Expenditure	Group
Balance January 1, 2010	97
Recognised in profit and loss	12
Balance December 31, 2010	<u>109</u>
Recognised in profit and loss	37
Balance December 31, 2011	<u>72</u>

19. Financial Risk Factors

Financial risk management

Overview

The group has exposure to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

A summary of the Group's risk exposures as it relates to financial instruments are reflected below:

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

a) Market Risk

Interest rate risk – The Group had \$3,614,000 in cash at December 31, 2011. The Group invests cash surplus to its operation in interest bearing accounts held in a major New Zealand chartered bank. The Group periodically assesses the quality of its investment with the bank and is satisfied with the credit rating of the bank.

At reporting date the cash and cash equivalents were the only financial instruments with interest rate risk exposure.

The Group's cash is held primarily in interest bearing accounts, the rates of which are not fixed. A 100 basis point change in the interest rate would affect the Company by an annualized amount of interest equal to approximately \$36,140.

Foreign currency risk – The Group's operational activities are all within New Zealand and 88% of all cash transactions are in New Zealand Dollars (NZD). As at December 31, 2011 the Group held 94% of its cash and equivalents in Canadian dollars and 6% in NZD.

b) Credit Risk and Concentrations of Credit Risk

The Group is not exposed to major credit risks attributable to customers.

The Group monitors the credit worthiness of its joint venture partners.

The Group's cash is held in a major New Zealand chartered bank and the Group has no investments in non-bank asset- backed commercial paper.

c) Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. As a gold explorer with modest mining revenue the Group ensures that its expenditure rate is commensurate with its cash position (see comment in Going Concern - note 3). Given that all non-derivative financial liabilities are classified as current, the carrying amount represents the contractual cash flows that are due in less than twelve months.

d) Financial instrument classification

With the exception of investments in subsidiaries that are treated as available for sale, all other financial assets are classified as loans and receivables and all financial liabilities are classified at amortised cost under IFRS 7

20. Management of Capital

The Group defines the capital that it manages as its shareholder equity. The Group's objectives with respect to managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders. As at December 31, 2011 total managed capital was \$18,857,000 (2010: \$16,651,000).

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

Notes to Financial Statements

(Tabular amounts in thousands of Canadian dollars)

For the year ended December 31, 2011

The Group's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

In order to maintain or adjust its capital structure, the Group may issue new shares or sell assets to fund ongoing operations.

The Group manages its capital structure by performing the following:

- Preparing budgets and cash-flow forecasts which are reviewed and approved by the Board of Directors;
- Regular internal reporting and Board of Directors meetings to review actual versus budgeted spending and cash-flows; and
- Detailed project analysis to assess and determine new funding requirements.

There were no changes in the Company's approach to capital management during the period ended December 31, 2011. The Company is not subject to externally imposed capital requirements.

21. Commitments and Contingencies

- a) At December 31, 2011 the Group had capital commitments of \$223,000 (2010: Nil)
- b) GENZL has granted a 2% production royalty to Geoinformatics Exploration Ireland Limited ("GEIL") in respect of any production achieved from the Company's interests on targets identified by GENZL and GEIL in 2005, in regions in the North Island.
- c) GENZL has granted a 2% net smelter royalty to Australasia Gold Limited on any gold production from ground that formed part of the original joint venture in the Otago region between the parties.
- d) Under the terms of non-cancelable operating leases, the Group is committed to rental payments as follows:

Group	2011	2010
	\$	\$
Less than one year	24	24
Between one and five years	-	-
	<u>24</u>	<u>24</u>

- e) The Company has future work program obligations in order to maintain tenure of its mineral permits. These obligations include: permit rentals, mapping, sampling, data compilation and modeling, geophysics and geochemical programs.

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

22. Reconciliation of net loss for the year with net cash from operating activities

For the year ended December, 31	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
Net loss for year	(1,714)	(1,467)	(2,559)	(497)
Adjustment for non-cash items:				
Depreciation	72	59	-	-
Write offs Mineral Properties (Note 7)	695	574	-	-
Amortisation of Mineral Properties	40	-	-	-
Impairment provision on advances to subsidiaries (Note 16(e))	-	-	1,907	-
Income tax (recovery)/expense	(37)	12	-	-
Exchange translation	(18)	(21)	-	-
Stock based compensation	43	178	43	178
Changes in non-cash working capital items:				
Amounts receivable	(50)	(82)	-	-
Advances and prepaid	-	-	(36)	-
Trade and other payable	35	30	6	3
Net cash used in Operating Activities	(934)	(717)	(639)	(316)

23. Subsequent Events

As announced on March 15, 2012 the Group acquired full ownership of its placer joint venture and associated mining equipment. The transaction involved purchasing the remaining 50% of the shares in Dunstan Mining Limited (mining operator) that it did not already own and 100% of the shares in Goldmines New Zealand Limited (the other 50% joint venture party).

Taking full control of placer mining activities should enable the Group to accelerate and increase production capacity.

Consideration To Be Transferred

	NZ\$m	\$m
Cash	0.5	0.4
Deferred cash (payable June 11, 2012)	1.5	1.2
Deferred cash (payable NZ\$80k/mth (C\$65/mth) for 25 months commencing July 1, 2012)	2.0	1.6
Total Cash	\$4.0	\$3.2
Equity instrument 2.1m GEGL shares	1.0	0.8
Total Consideration	\$5.0	\$4.0

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2011

Equity Instruments issued

The fair value of the ordinary shares issued was based on the closing share price of the Company on March 15, 2012 of C37.5 cents per share.

Identified assets acquired and liabilities assumed

	NZ\$m	\$m
Mining plant and equipment	0.9	0.7
Property/Exploration/Mining Permits*	4.1	3.3
Total Identifiable Assets	\$5.0	\$4.0

*Portfolio of Prospecting/Exploration/Mining Permits and associated resource consents and land access arrangements

Trade and other payables approximated \$30,000 at settlement date and were offset by cash held.

Goodwill

Based on preliminary numbers, goodwill recognised as a result of the acquisition will be as follows:-

	NZ\$m	\$m
Total consideration to be transferred	5.0	4.0
Total identifiable net assets	5.0	4.0
Goodwill	\$Nil	\$Nil

Due to the early stage of the acquisition the financial effect of the acquisition cannot be made reliably and will be finalised in 2012.

Acquisition related Cost

The group incurred acquisition related costs of \$60,000 related to legal fees and tax advice. These costs have been incurred post December 31, 2011 and will therefore be included in the Group's 2012 financial statement.

The Group has presented the above values of assets and liabilities and associated consideration set out in the sale and purchase agreement. Provisional accounting will be applied and balances will be finalised in 2012.