

GLASS EARTH GOLD LIMITED

For the year ended December 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Attention is called to a caution in respect of
Forward-Looking Statements - included at page 33**

ANNUAL OVERVIEW

EXPLORATION

(please refer to the individual sections following for fuller description of the exploration activities).

- **WKP gold project** in Hauraki, New Zealand (Glass Earth 35%)

Five, long (up to 720m), diamond drill holes provided a successful follow-up of the encouraging results from the 2010 diamond drilling campaign on **WKP West**.

- **WKP 27** intersected 152.4m @ 1.16 g/t Au **including 1.4m @ 30.7 g/t Au and 77.7 g/t Ag; ;**
- **WKP 28** intersected 49m @ 1.08 g/t Au and 3.32 g/t Ag; and a new zone was discovered at **WKP South** (WKP 29);
- **WKP 29** intersected 3.2 m @ 37.0 g/t Au and 17.0 g/t Ag;
- **WKP 30** consolidated this discovery, intersecting 9.0 m @ 3.2 g/t Au and 2.6 g/t Ag;
- The strong resistor targeted extends both north and south of those drill holes. Aeromagnetic and CSAMT resistivity geophysical surveys indicate that this new zone has a strike potential of at least one kilometer;
- **WKP 31** was completed in December to a depth of 598m. Initial assay results include **9.7m of 17.2g/t Gold and 24.2 g/t Silver**.

Glass Earth and its partner Newmont have committed to an extensive drilling campaign for 2012 of approximately 6,000m to advance this project.

- **MUIRS gold project** in Mamaku, New Zealand (Glass Earth 100%)

An independent review of the Muirs-Massey Reefs area was completed in April 2011, leading to more defined exploration work.

- A 5 hole diamond/RC drilling program completed in Q1
- Further trenching over the recently detected high surface gold values (up to 17 gm/t Au in situ rock chips) commenced in April 2011;
- **Ten trenches were dug with a combined length of 235m and all, but one, intersected significant quartz veining and were channel sampled. Assay results received were very positive including 24m @ 5.72 g/t Au;**

- **A 17 hole drill program of approximately 2,345m at the Massey Reef commenced in late November with the intention that it enable a resource calculation to be undertaken for the Massey Reef;**
 - The first two drill holes have been completed at the Massey Reef with the first drillhole (MSDDH08) penetrating a highly altered andesitic volcanic unit with variable quartz veining throughout. Results included an intercept of 17m @ 1.71 gm/t Au. The second drill hole (MSDDH09) reached 191m with assays pending.
- **OPHIR gold project** in Otago, New Zealand (Glass Earth 50%)
 - Metallurgical work on Ophir ore samples is encouraging, with between 82-85% of gold recovered in gravity separation processes;
 - Progress was made on the design and costing of a pilot processing plant for the Wai-iti shear zone.;
 - Additional drilling was undertaken (17 holes for 446m) across 8 shear zones. Initial lab results are encouraging, including 4.2 gm/t Au over 8m in OPH013, and 5.8 g/t Au over 6m in OPH014;
 - Remaining samples from the drill program were submitted for assay by cyanide leach;
 - **Additional work is being undertaken as a pre-requisite to a formal proposal for capex and mining for the consideration of the Joint Venture.**

FINANCIAL

- **Successful Fundraising** – the Company raised a gross \$2.9m by private placement in late Sep/early October together with an additional \$0.25m upon the exercise of warrants and options;
- The **Company's cash position** as at December 31 2011 was \$3,614,000;
- **Financial results** - The net loss for the year ended December 31, 2011 was \$1,714,000 including a non-cash write-off of accumulated exploration expenditures of \$695,000.

PLACER MINING

- Placer mining continued with only one Gold Recovery Unit effectively operating at a time. Cash contribution from the Company's 50% owned placer mining operation(s) totaled \$316,000 for the year ended December 31, 2011;
- The placer joint venture owns 3 Gold Recovery Units and has mining permits and resource consents to allow all three to be operating.
- In March 2012, the Company acquired the other 50% of the placer JV for \$4m in cash, deferred cash and Glass Earth Gold Ltd shares (see Subsequent Event note on page 27).
- **The Company intends to have a second GRU running in Q2 and a third in Q3. This, together with increased throughput and 100% ownership should ensure a significant improvement in gold production and cash generated.**

INDEX	Page
• Introduction	4
• Corporate History and Nature of the Business	4
• Board of Directors and Management	5
• Capital Transactions and Significant Events	6
• Exploration Summary and Update	8
• Financial Commentary	20
○ Exploration expenditures	
○ Significant revenue/expenses of a Corporate Nature	
○ Financial statistics	
○ Liquidity	
○ Related Party transactions	
○ Other matters	
○ Critical Accounting Policies and Estimates	
• Subsequent Events	27
• Outlook	27
• Risks, Uncertainties and Other Issues	28
• Supplemental to the Financial Statements	31
• Forward-Looking Statements Caution	33

INTRODUCTION

This discussion and analysis of the operating results and financial condition of Glass Earth Gold Limited ("**Glass Earth**", or the "**Company**") for the three months and year ended December 2011 as prepared on March 26, 2012, should be read in conjunction with the audited financial statements and related notes for the same period and is intended to provide the reader with a review of the factors that affected the Company's performance during the year ended December 31, 2011 and the factors reasonably expected to impact future operations and results.

The audited financial statements and related notes of Glass Earth have been prepared in accordance with accounting principles that comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial statements are expressed in Canadian dollars. All amounts in this report are also in Canadian dollars, except where otherwise indicated.

Qualified Person

The Glass Earth exploration programs are carried out under the supervision of Glass Earth's President and Chief Executive Officer, Simon Henderson, M.Sc, M.AUSIMM. Mr. Henderson has 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.

Mr Kyle Howie, Member of the Australian Institute of Geoscientists, Glass Earth's Senior Geologist, is the Qualified Person for Glass Earth Gold regarding the Muirs Reef Project.

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**"). In December 2007, the Company changed its name to Glass Earth Gold Limited.

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 December 31 2011, Glass Earth held by itself or together with joint venture partners, one of the largest portfolio of gold and silver focused prospecting and exploration permits in New Zealand (2,700 km²), with applications lodged in 2011 for an additional 7,300 km², including the following key territorial assets:

Otago Region

In 2007, the Company undertook a major data collection/geophysical survey over this region covering over 13,000 km², comprised of over 52,000 line kilometers

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

which was the largest airborne geophysical survey ever conducted in New Zealand. Contemporary airborne geophysical technology had never before been applied over the Otago Region. The survey has been followed by detailed on-ground evaluation in a process to identify priority drill targets.

Hauraki Region

With advanced gold prospects, this region occupies a significant ground position around the Waihi / Martha Mine; Newmont is involved in the Glass Earth permits via two Joint Ventures: (i) the Waihi West permit, immediately adjacent to the Waihi/Martha Mine; and (ii) the surrounding Hauraki Region permits.

Mamaku Region

With defined gold targets, this region includes the Muirs Reef prospect, which historically has produced more than 43,000 ounces of gold.

Central Volcanic Region ("CVR")

Glass Earth has defined a number of epithermal gold targets in this region, including advanced prospects.

BOARD OF DIRECTORS AND MANAGEMENT

Current directors are:

- **Simon Henderson** (President and CEO);
- **John Dow** (non-executive Chairman),
- **Peter Liddle** (CFO),

All based in New Zealand, and

- **Paul C Jones** (Colorado, USA);
- **Justin Cochrane** (Vancouver, Canada)

CAPITAL TRANSACTIONS AND SIGNIFICANT EVENTS

Capital Transactions

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.

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.

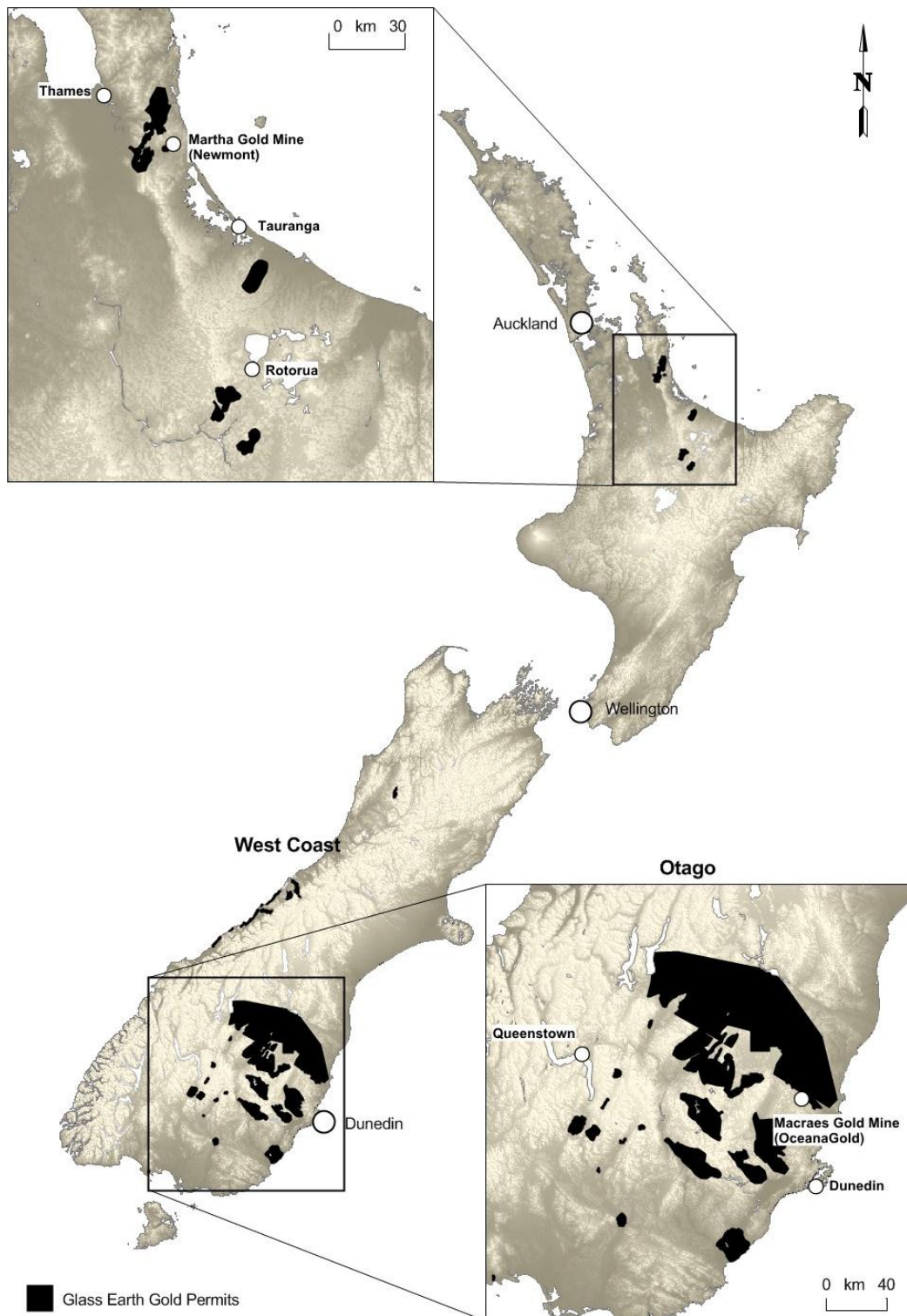
On **September 23, 2011**, 4,717,184 common shares were issued for 55 cents per Unit, each Unit consisting of one common share and one half of a common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of 80 cents per share for a period of two years following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

The exercise of share purchase warrants and share options in August and September raised \$251,000.

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.

On **March 15 2012**, the Company announced it had acquired the remaining 50% of its placer exploration and mining JV for a combined \$4m - as set out in the Subsequent Events section (page 27).

GLASS EARTH EXPLORATION REGIONS



EXPLORATION SUMMARY & UPDATE *(Updates for the current quarter in italics)*

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

- Advanced and greenfields gold prospects in the **Otago** mesothermal gold fields which it believes are prospective for Macraes style gold mineralization. Additional joint ventures and other arrangements increase the exploration area in the Otago region to over 8,300 km².
- Advanced gold prospects in the **Hauraki-Waihi** area;
- Advanced gold prospect at **Muirs**, between Rotorua and Tauranga; and
- Greenfield gold prospects in the **Central Volcanic** Region, between Rotorua and Taupo.

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 using an Intervention Process that provides a structured and disciplined approach to scientific data capture, validation, compilation, integration, modeling and target generation for gold and other mineral deposits. The originator of this Intervention Process is entitled to a 2% Net Smelter Royalty on gold produced from targets initially identified in the North Island, being the Hauraki, Mamaku and Central Volcanic Regions (the Stage 2 Target Bank), that Glass Earth owns or acquires.

The Company's exploration activities are carried out solely in New Zealand by its wholly-owned subsidiary, GENZL.

In the North Island, from 2003 to May 2004, GENZL sourced legacy data and created a multidimensional single database using the Intervention Process. In 2005, as a follow-up to this analysis, 44,000 line kilometres of airborne (magnetic and gravity) geophysical surveys were carried out, better defining existing targets and identifying additional targets.

In the South Island, the Company applied for and was granted Prospecting Permit 39 322 over an initial area of almost 18,000 km² of the Otago Region. A large airborne geophysics campaign was conducted in 2007 with analysis and interpretation of that data augmented by on-the-ground follow-up prospecting.

Otago Region

In **2006/07** a legacy data collection / geophysical intervention, over the Otago Region provided a detailed geological understanding of the area to allow targeting of new areas with the potential for hard rock and/or alluvial gold.

The airborne geophysical survey completed in **2007** (gross cost C\$3.2m/NZ\$4m) involved remote data collection exceeding 52,000 line kilometres flown. The survey used the helicopter-borne "RESOLVE™" EM system combined with a magnetic gradiometer and targeted the top 100 metres of the earth's crust (the zone of interest for Glass Earth). This was followed by interpretation and targeting then by scouting on-ground evaluation, examining coincident geophysical anomalies in different gold permissive terranes; prioritised

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

by anomalous gold/tungsten occurrences - noted either in legacy geochemical data records or geochemical data sets acquired from Newmont.

In **2007/08** the following regional work was undertaken:

- Results from Bulk Leach Extractable Gold sampling and associated mapping of the **Rock and Pillar Range** and **Rough Ridge** areas encouraged more intensive campaigns in those areas. At **Serpentine**, 2,250 soil samples were collected over an area of coincident gold/tungsten anomalies, strong magnetic lineations, high gold rock chip results over 3km² (1.0 g/t Au to 15g/t Au) and historic hard rock mining.
- Geotechnical staff conducted initial reconnaissance on six differing geological/mineralogical districts. Geochemical sampling, geological mapping, petrology and on ground interpretation of the airborne geophysical data was undertaken. Assay results allowed the exploration team to identify drill targets at **Serpentine, Sparrowhawke, Game Hen** and **Gold & Pine**. Field work comprised soil sampling at **Cap Burn, Stony Creek**, and **Argyle** areas; pan sampling at **Argyle and Shag Valley** areas and both at **Serpentine**. Stratigraphic drill holes at **Sheep Wash, Gold & Pine** and **Sparrow Hawk** returned non-economic results however, the stratigraphic information has proved invaluable and has directed focus to a promising zone in **Sparrow Hawk** south. An Intervention Process targeting and ranking exercise was completed in order to cover the Otago Region along with updating the alluvial deposit database.

In **2009**, the following work was undertaken:

- **Hard Rock Targets**
Ophir Region: Detailed geological mapping carried out across the Raggedy Range, between Ophir and Poolburn, supports a broader structural and lithological interpretation for the area in the context of known gold-mineralized sites. Highest rock-chip sample was 36.2ppm Au. Soil-sampling over EP 40 870 (and limited EP 40 702) was completed with a total of 282 samples. A Joint Venture agreement with Ophir Gold Limited was signed on August 17, 2009. Glass Earth has assayed in total 30 rock chip and 672 soil samples. Legacy and Glass Earth soil samples both display NW trending gold anomalies. High grade rock samples up to 56ppm Au have been taken from trenches and adits across the Wai-iti shear. A detailed ground magnetic survey (317 line km) was completed across Ophir to complement the airborne geophysical data previously acquired. A comprehensive geological map has been completed across the Ophir project area.

A pilot plant developed to bulk test material from the Ophir area (primarily the Wai-iti shear initially) carried out a bulk test to ascertain the optimal crushing set-up to be determined prior to any decision to mine or to build a full scale processing plant. This bulk test was inconclusive and grinding tests were commissioned which indicate good recoveries by gravity separation methods at a finer grind.

Lots Wife: A further 214 soil-samples were collected as part of a larger soil-programme (total of 772 samples).

Rise and Shine: A geological mapping and ground resistivity survey was undertaken. An area of approximately 5.5km² was mapped. A programme of limited rock chip sampling was undertaken. Petrologic work was undertaken for the

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

purposes of resolving the styles of mineralisation and in relation to hydrothermal effects as a basis for detailed mapping and comparison of known mineralisation with newly defined domains of mineralisation. Two ground resistivity lines were completed using a gradient array method.

- **Placer (Alluvial) Targets**

Significant effort was put in to delineating placer resources to allow evaluation studies to be completed with a view to mining. Infill RC-drill programmes were carried out over three prospects and two were tested further with pitting (25 pits and 54 pits respectively) which supported the drilling results. These two areas in the Ida Valley region of Otago have the potential for hosting modest placer gold resources and results from exploration activity were encouraging. Mining commenced in December 2009 at McAdies with a mining permit application lodged in respect of the Gunclub deposit (since granted).

The Company, in conjunction with its placer partner, Dunstan Mining Limited, purchased a 40 tonne floating gold recovery unit which was refurbished and leased out to another mining project from December 2009 to June 2011.

In **2010**, the following work was undertaken:

Hard rock exploration in 2010 was concentrated on Ophir, Rise & Shine and Lot's Wife.

The **Ophir** project is subdivided into two areas: **Greens** and **Wai-iti**.

Combined with geochemical sampling, the **Wai-iti** vein and its Southern partner Wai-iti South have been demonstrated to be larger than previously thought, the potential to define a shallow resource for small scale production is high. Having received encouraging metallurgical test results, management completed an evaluation study by 31 December. Together with other exploration work, the delivery of this evaluation study completed the Company's 50% earn-in to the Ophir Joint Venture.

Management considers that this prospect has significant potential although coarse gold makes it difficult to explore by drilling. The Company is planning to initially develop this prospect as a series of shallow pods using gravity gold recovery methods. Modest scale mining should assist in developing a better understanding of the characteristics of the mineralisation.

The evaluation study highlighted some areas where further work was required (eg: grinding and hardness factors). This further work is a pre-requisite to being in a position to frame a formal proposal for capex and mining for the consideration of the Board.

At **Greens**, soil sampling has identified three previously unknown anomalies, which follow-up mapping suggests has an approximate length of 250m but extends another 350m along strike after being offset by a younger NE trending fault. Several known hard rock mineralized zones occur at Greens; of 139 rock chips assayed, 23 contained 1ppm Au or greater, with a highest result of 5.64ppm. This area has demonstrated potential to add to the shallow mineralization at Wai-iti, and could support a small mine processing plant.

A year-long ground campaign of geophysics, mapping, petrology and geochemistry at **Rise and Shine** failed to demonstrate the potential to improve upon the existing (legacy) drill

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

results. Permits in this area were relinquished and the option to acquire an interest in Canalaska Uranium's permit in this area was terminated. All costs associated with this project area were written off.

Lots Wife, located immediately south of the Macraes Gold Mine, hosts a number of narrow quartz vein gold systems that post-date the Macraes-style mineralization. Work determined that legacy and GEL results to date were a magnitude below those expected, for the area be similar to Macraes; Sheepwash drilling did not encounter economic mineralization and further drilling is not warranted. This permit was relinquished and associated costs written off.

Otago regional Prospecting Permit (PP 39 322)

The main prospecting permit in Otago was due for a relinquishment process in Q4, 2010, whereby the Company had priority rights to move to the next stage of permitting (Exploration Permits – "**EP**"). Work in Q4, 2010 and prior included developing a strategy of securing targets for the next 3-4 years when moving from the expiring PP to EP's.

The Exploration Permit applications lodged with Crown Minerals were designed to secure the principal placer and hard rock targets – subsequent to the expiry of the main Otago PP 39 322 on November 29th 2010. Remaining targets of lower ranked interest were more recently the subject of replacement Prospecting Permit applications (a cheaper form of permit security).

This will allow key targets to be retained for a further 3-4 years under the Exploration Permitting regime.

Q1 2011 Exploration Activity

Drilling commenced on the Serpentine prospect with 2 holes drilled to date and assays awaited.

Q2 2011 Exploration Activity

Progress was made on the **Ophir** project with both open pit and underground samples submitted for metallurgical test work in March. The results confirmed a high coarse gold component (nugget effect) through variable head grade assays. The results of the first pass gravity separation were encouraging, with around 50% gold recovered in a first tabling concentrate. Further testing indicated an additional 32% can be recovered by adding a flotation concentration process.

Soil sampling at **SparrowHawk South** commenced in April, was designed to test the structure identified in geophysics work. Work was halted for the winter due to muddy tracks with 8.5 of 15 lines completed; the remainder will be finished in the (Southern Hemisphere) summer.

Two diamond core drill holes were completed at **Serpentine**. Drill hole **SRP001** was drilled to a total depth of 220m. **SRP002** was drilled to a total depth of 172m. Both drill holes returned disappointing results. A best result in **SRP002** of 1m @ 1gm/t Au did not reflect the considerable surface, soil or rock chip geochemistry; re-evaluation of the drilling and ground geology is planned.

Mapping and rock chip sampling were undertaken at **Nokomai** and **Hindon**. 41 rock chip samples were collected and sent for fire assay. Mapping and sampling will continue at **Hindon** to determine the full strike extent and thickness of the shearzones.

Channel sampling at **Sparrowhawk**, **Manorburn** and **Sonora Creek Quarry** was undertaken in July. This programme is to ascertain potential grades from a new style of mineralisation.

Q3 2011 Exploration Activity

A shallow drill program was undertaken on the **Ophir** project (50% GENZL) consisting of 17 holes across 8 individual shears identified by soil and rock chip sampling, along with complementary mapping and geophysical surveying. Initial samples were dispatched to assess the best assay method. A draft mining plan suitable for a pilot mining program was prepared for the Wai-iti shear zone and a plant design prepared to allow resource consenting to commence for this project.

Results from **Hindon** work were encouraging with rock chip samples returning highest values of 7.4ppm Au and 6.6ppm Au which support a plan to drill late in the 4th quarter. Overall, results from the **Nokomai** rock chip samples were discouraging.

All results from channel sampling at **Sparrowhawk**, **Manorburn** and **Sonora Creek Quarry** have been received and they do not indicate the presence of a new pre-enriched protolith as postulated.

Q4 2011 Exploration Activity

*Progress was made on the **Ophir** project (50% GENZL) with the design and costing of a pilot processing plant completed for the Wai-iti shear zone. Remaining samples from the Q3 drill programme were submitted for assay by cyanide leach. Initial lab results are encouraging.*

*A programme of shallow drilling was completed across the **Hindon** and **Game Hen** targets (East Otago). Six drill holes were completed at Hindon targeting gold-bearing shear zones identified through geological mapping and rock chip sampling (up to 7.5 gm/t Au). Samples have been submitted for assay. An additional eight drill holes were completed to target the Game Hen shear. Rock chip sampling of this structure has indicated grade of 1.3 - 41.4 gm/t Au, with anomalous (Macraes like) arsenic levels (up to 5000 gm/t).*

*At **Sparrowhawk** geological mapping and sampling was completed to investigate areas with anomalous gold (identified in Q2 2011 soil sampling). Encouraging rock chip samples returned values up to 8.73 gm/t Au. Trenching is to be completed in Q1 2012.*

*A programme of soil sampling was undertaken at the **Moeraki** project to test geophysical anomalies parallel to the Hyde Macraes Shear Zone (identified in the 2007 airborne RESOLVE™ survey). Results were encouraging and follow-up sampling will be completed in Q1 2012.*

Placer exploration & mining is conducted under a 50/50 joint venture with an experienced placer miner in the Otago region (Goldmines New Zealand Ltd and the related mining company, Dunstan Mining Ltd). In Q1 2010, the first generation of cash from these placer initiatives was recorded. Costs associated with the exploration and establishment of these operations is being amortized rapidly against revenue as a conservative approach.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

The first placer mining at McAdies commenced in December 2009 and finished in October 2010 with the replacement operation at Gunclub commencing in December 2010.

In March 2010, Glass Earth (and Goldmines New Zealand Ltd) entered into a joint venture with Placer Gold International to carry out drilling and bulk sampling at Vinegar Hill in the Manuherikia valley (the 2 target areas are referred to as Shepherd's Flat and Nicholson's Lake). Historically, the site was mined by sluicing and hydraulic elevators. Placer Gold will provide up to NZ\$250,000 (circa C\$190,000 for each of Shepherd's Flat and Nicholson's Lake) to prove up the resources in return for earning a 30% equity. Should Placer Gold wish, it can provide further funding of NZ\$500,000 (circa C\$380,000) per target for capex to earn a total of 50%. The NZ\$500,000 funding is preferentially repaid out of mining profits.

In October 2010, the Company purchased 50% of Dunstan Mining Ltd, thereby securing access to mining equipment and related resources. All mining equipment is held by Dunstan Mining Limited.

Net cash generation from the Company's 50% share of placer operations totaled \$357,000 for the year, with the Q4 contribution reduced due to rehabilitation work at McAdies and the initial set up at Gunclub.

Planning is underway to commence a further 2 mining operations and a franchised arrangement – all to run concurrently with Gunclub. The leased gold recovery unit has been returned to Dunstan Mining in June 2011 and a third gold recovery unit is being built.

Q1 2011 Exploration & Mining Activity

Good revenues were gained from leasing out the Gold Recovery Unit at Earnscleugh and placer mining at Gunclub (Ida Valley, Central Otago). While the net revenue of \$129,000 was a welcome contribution, management is committed to a significant increase in placer gold production from this source this year.

Exploration, land access, permit and resource consenting continued on several targets in the Ida, Manuherikia and Maniototo Valleys (central Otago) in order to allow multiple operations to be run concurrently.

Q2 2011 Exploration & Mining Activity

South Island placer work comprised ongoing mining at **Gunclub**, a drilling campaign at **Drybread** (a target in the Manuherikia Valley, also in central Otago), processing of drill samples and field mapping/sampling in Southland.

South Island placer mining at **Gunclub** continued with twenty five pits completed and assayed to define and test the western lode ahead of mining. Resource definition drilling commenced at **Shepherds Flat** in July. Six drill lines are planned with eight holes and 165m of drilling per line. **Drybread** RC drilling has continued with 144 holes completed and two additional lines planned. Processing of these drill samples is ongoing.

Council resource consents have been granted in respect of **Drybread** and the grant of a Mining Permit is imminent. This will allow 2 further Gold Recovery Units to be deployed – complementing production at Gunclub.

Q3 2011 Exploration & Mining Activity

South Island placer mining at **Gunclub** continued although, inhibited somewhat by winter snows and the building of a large water storage dam. Production was down although the high New Zealand gold price almost offset this.

Exploration continued at **Drybread** with further shallow drilling and sample processing. A Mining Permit was granted for Drybread on 26 August 2011. The drilling results are very encouraging and a Gold Recovery Unit and associated plant has been moved on site with gold production expected to commence in late November.

Stage 1 drilling was completed at **Shepherds Flat** (57 holes for 709m) and results were encouraging. Stage 2 has been planned and is expected to start in December.

Shallow drilling has also been carried out on 3 other prospects in the adjoining Maniototo Valley with good results.

Q4 2011 Exploration & Mining Activity

*South Island placer work comprised of ongoing mining at **Gunclub**.*

*Exploration continued at **Drybread** to provide grade control in preparation for mining. Pilot mining commenced in November with a protracted settling in period.*

*A full analysis of **Shepherds Flat** drilling was completed and presented to Joint Venture partner Placer Gold International who has agreed to proceed to stage two of the Shepherds Flat Joint Venture.*

*A reconnaissance drill programme was completed at greenfields target **Beatties** (Maniototo Valley). An area of encouraging grade was encountered, and a follow-up drill programme is to be completed.*

*A second phase of drilling was completed at **Kirk Creek** to build on earlier positive results. Results from this second phase of drilling downgraded this prospect.*

Hauraki Region

Following the successful compilation of legacy data and the airborne survey campaigns in 2005, numerous targets were identified and prioritized for more in-depth exploration.

Pursuant to a February **2007** Joint Venture agreement, whereby Newmont could earn-in to 3 areas, known as the Northern, Central and Southern Areas, Newmont undertook Hoist Electro Magnetic airborne surveying over the highest ranked targets in this region and followed up with surface geochemistry and resistivity surveys.

In **2008**, Newmont completed - 5 diamond drill holes on **Owharo** (with no significant results encountered); 2 holes at the **Komata** prospect, encountering altered andesitic and minor rhyolitic volcanics - minor, narrow quartz veins were observed; resistivity surveys were undertaken to better delineate targets prior to drilling at **South Karangahake** and **Glamorgan** (Wentworth Valley); drilling at **South Karangahake** did not encounter mineralisation.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

In **2009**, at **Glamorgan** (Goldwyn prospect), detailed mapping and rock/soil sampling continued. Three diamond holes completed at **Rahu** returned no significant results. Newmont advised that this expenditure completed its earn-in obligations in respect of the Northern Area under the joint venture and accordingly Newmont has an equity of 65% in Exploration Permit 40 813. Newmont advised that it will not sole fund through to completion of a feasibility study.

The **WKP** prospect is a 2 km mineralized alteration zone, just 10 km from **Newmont's Martha gold mine** at Waihi and 5 km north east of the Golden Cross deposit (634,000 oz gold production in the 1990's). The WKP epithermal system has magnetic/alteration characteristics similar to the Martha mine and has open-along-strike potential for several kilometres southward. Exploration in the late 1980's and early 1990's identified a very extensive altered and gold mineralized system identified as the '**WKP Stockwork Zone**' with multiple intersections, including several ore grade intersections. Detailed mapping and rock sampling has been undertaken. In total, detailed mapping, rock (230 samples) and soil sampling (6 line km) in addition to 5.3 line km of CSAMT resistivity was completed with encouraging results. Previously unrecognized vein zones were delineated. Identification of drill targets and an application to establish a drill site and camp were completed.

In **2010**, the following work was undertaken:

Newmont continued with its drilling program on the highly prospective **WKP** gold-silver prospect (Central Area) and completed three diamond drill holes (WKP 24, 25 & 26). The drilling targeted the new **WKP West** zone, outlines a new area approximately 180 m wide with a strike continuity of over 600 m. Drill hole WKP 24 intersected 156 metres at 1.6 g/t Au and 2.6 g/t Ag with WKP 25 intersecting 15 metres at 8.6 g/t Au and >01.5 g/t Ag. Drill hole WKP 26 intersected 64 metres at 2.0 g/t Au and 2.6 g/t Ag. The **WKP West** zone represents a compelling target in its initial stage of exploration, with surface mapping and additional geophysical data (CSAMT resistivity) planned to assist in the targeting of additional step-out drilling. Further planned drilling in late 2010/early 2011 was delayed by resource consent procedures and drought conditions (affecting abstraction of water from streams for drilling). Newmont advised that it has completed its earn-in obligations and now has a 65% equity in the Central Area permit.

In February 2010, Newmont advised that it was withdrawing from earning into the Southern Area.

Separately, at **Waihi West** (adjacent to the Martha gold/silver mine owned by Newmont, pursuant to a 2006 Joint Venture agreement, Newmont has undertaken preparatory exploration and drilled 4 holes into this permit area, with modest results. Glass Earth agreed to extend the term in which Newmont can expend the remaining funds out to 31 March 2013. As at 30 June 2011, Newmont had expended approximately 73% of the funds required for it to earn an initial 60% equity in this permit.

Q1 2011 Exploration Activity

Ground resistivity work on **WKP West**, completed in early 2011, located resistors bolstering knowledge and identifying another strong target to the west and adjacent to the known area - which could make the target a very large one. Two deep drill holes were undertaken in the quarter (drill hole WKP 27 reported on May 12, 2011) with assay results awaited on WKP 28.

Q2 2011 Exploration Activity

Helicopter supported diamond drilling continued with WKP 28 (April), WKP29 (May/June) and WKP 30 (Jul/Aug). Results for WKP 28 & 29 were released on August 26 (see below) with assay results awaited on WKP 30.

WKP WEST

WKP 28, confirmed significant low grade gold mineralisation, highlighted by narrow intervals of high grade, and is consistent with strong ground-based resistivity (geophysical) surveying. This demonstrates the zone has potential for over 800 m strike and a vertical extent of over 250 m. To date, the five long, angled, diamond holes drilled have all intersected significant gold-silver mineralisation over broad widths confirming a potentially very large epithermal gold system.

NEW TARGET ZONE - "WKP SOUTH"

WKP 29, drilled westward (previous holes were drilled eastward into the WKP West resistor) targeted a potentially new mineralized zone to the south-west, represented by a strong resistor, intersecting an exciting zone of high grade gold-silver mineralisation.

Hole No	From	To	Interval metres		Gold g/t	Silver g/t
WKP 29	216	219.2	3.2	@	37.0	17.0
including	217.1	218	0.9	@	89.2	39.2
	279.8	293	14.8	@	4.82	2.7

The strong resistor extends both north and south of the current drill hole, with another drill hole **WKP 30**, (results pending) drilled beneath WKP 29, angling at depth and traversing the resistor for a length of 720m. Aeromagnetic and CSAMT resistivity geophysical surveys indicate this new zone has a strike potential of at least a kilometre.

Q3 2011 Exploration Activity

Assay results from the 720m diamond drill hole, WKP 30 were received after some delays at the laboratory. These results will be the subject of a separate press release. The intersection of andesites (the preferred host for epithermal mineralization) with rhyolites, in this large and fertile system, is encouraging. A substantial infill/expansion drill program is warranted.

Q4 2011 Exploration Activity

*Drillhole **WKP 31**, drilled at a 68 degree dip southwards from the center of the prospect was completed in December to a depth of 598m. Initial assay results include 9.7m of 17.2g/t Gold and 24.2 g/t Silver. Remaining assays, geological logging and metallurgical testing are underway.*

Significant recent drilling results at Central Zone, WKP Project

Drillhole ID	From	To	Interval m	Au g/t	Ag g/t
WKP 31	146.1	155.8	9.7	17.2	24.2

Mamaku Region

Glass Earth considers that 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. This known epithermal system is covered with up to 150 metres of volcanic ash.

Large scale E-SCAN® 3D resistivity surveys were conducted at **Otawa** and **Gibraltar** (respectively north and south of **Muirs**) in **2007**, with follow up surface mapping and rock chip sampling. Land access was obtained in **2008** to allow a drilling campaign to test ground in and around the historic Muirs deposit. Drilling of three deep diamond holes at Muirs returned several gold intercepts with the Massey Reef interpreted to be a sheeted vein system consisting of several banded quartz veins up to 5 metres in width with interstitial stock work veining and brecciation, displaying extensive quartz veining and strong alteration and weathering throughout.

In **2009**, gradient array resistivity profiling was undertaken over the Muirs prospect; results suggesting a broader epithermal vein system may lie west of the Muirs veins. Data processing of the gradient array resistivity programme was completed, with interpretation providing encouraging detail on subsurface geology and indicating the potential for several major new veins and extensions of existing veins. A diamond drill hole in the Gibraltar target encountered difficulties and was suspended.

In **2010**, the following work was undertaken:

A multi-hole drilling programme over the **Muirs** prospect was commenced in October 2010 with five drill-holes completing a fence of drilling across the centre of the prospect.

The objective of the work programme at **Muirs Reef** was to test geophysical/gold geochemical anomalies located parallel to, and along strike of **Muirs** and **Massey Reef**. The objectives were only partially met due to full sectional coverage not being achieved.

Drilling Results

MSDDH05 (targeting the Muirs Reef in an untested central zone; intersected veining on the contact between andesite and volcanoclastic sediment, but with no economic mineralisation within this zone.

MSDDH06 (targeting the Western geophysical anomaly and coincident gold anomalous rock chips) did not intersect and significant alteration or veining. It encountered fresh unaltered andesite. The western target has been discounted as prospective.

The RC drilling, testing the eastern target (**MSRC 1&2**), intersected hydrothermal clay-pyrite alteration with minor quartz veining. These drill holes terminated well short of their proposed depths (abandoned at 240, and 220m respectively due to RC rig breakdown and difficult ground). While no gold mineralization was detected it illustrates that there is potential for parallel vein sets to the east of the Muirs/Massey vein system.

MSDDH07 (drilled 440m south along strike of the Muirs Reef) was the most encouraging drill hole. It was drilled to test a strong resistor south along strike from Muir's reef workings. MSDDH07 encountered strong hydrothermal alteration with all of the features associated with gold mineralization including broad intervals of intense silicification, K-feldspar addition (adularia), frequent narrow quartz veining and high concentrations of Fe sulphides (pyrite).

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

Gold assays were sub-economic with the highest result being 0.41ppm gold over 1m from a hydrothermal breccia.

This area to the south and west of Muirs Reef has significant potential. The hole MSDDH07, while encountering anomalous mineralization, gave encouragement due to extensive veining and alteration throughout. It terminated in mineralization and demonstrates a link to Massey and Blue Reefs, where high gold grades have been detected at surface.

Q1 2011 Exploration Activity

Encouragement was found in the detection of alteration and veining on the potential **Eastern Vein** target, and significant potential indicated to the south where intense alteration and silicification was encountered over 300m to the south of the **Muirs Reef**, open southwards and westwards. Further trenching over the recently detected high surface gold values (up to 17 gm/t Au in situ rock chips) commenced in April 2011, prior to recommended further drilling.

Q2 2011 Exploration Activity

An independent review of the Muirs-Massey Reefs area was completed in April 2011. The review concluded that the Muirs/Massey mineralized system has the potential to host economic mineralization. However the system is structurally complex. Recent (2010/2011) Glass Earth drilling has focused on testing regional features parallel to the known mineralized lodes and has not adequately tested the extensions to the known mineralization. To expand and develop the prospect's zone of identified mineralization, Glass Earth's recent exploration has been concentrated on surface channel sampling. Accordingly, ten trenches have been dug with a combined length of 235m and all, but one, intersected significant quartz veining and were channel sampled. Assay results for eight of the ten trenches have been received and are very positive including 24m @ 5.72 g/t Au (see press release of July 19). These have discovered significant quartz veining, exhibiting multiple phases of gold deposition, across over 450 m of the prospect's southwest extension.

Glass Earth is now preparing a further drilling program, in order to prove up identified mineralization and establish an NI 43-101-compliant resource.

Q3 2011 Exploration Activity

A 17 hole drill program of approximately 2,345m at the Massey Reef has been approved and will commence in late November. When completed, it is expected that this programme would enable a resource calculation to be undertaken at Massey Reef.

Q4 2011 Exploration Activity

*The first two drillholes (of seventeen) have been completed at the **Massey Reef** this quarter. Drilling commenced late November and the first drillhole MSDDH08 reached 86.5m on the 13th of December. The drillhole penetrated a highly altered andesitic volcanic unit with variable quartz veining throughout. Results included an intercept of 17m @ 1.71 gm/t Au.*

The second drillhole MSDDH09 reached 191m underneath and on section with MSHDH08. MSDDH09 intersected quartz veining from 64.6m to 67m and silicic hydrothermal breccia from 103m to 117m, assays are pending.

Central Volcanic Region ("CVR")

Glass Earth is engaged in a two-pronged approach to making a significant discovery in the CVR, progressing work on both advanced targets and regional reconnaissance targets.

Advanced Targets

In **2006/2007**, detailed geological mapping, soil geochemical surveying and gridded resistivity (CSAMT and E-SCAN®) surveying were campaigned over the top 21 targets. Scout drilling (diamond drilling) was undertaken as follows: Progressively, Tahunaatara (4 drill holes), Humphrey's Rd (2 drill holes), Thompson's (1 drill hole), Pukemoremore (1 drill hole) and Ohakuri (2 drill holes) have been drill-tested in an expanding drilling programme. Drilling results have indicated the presence of epithermal gold systems with extensive alteration zones being intersected.

In 2007, GENZL entered into a joint venture with GCO Minerals Company ("**GCO**") over GCO's permit areas in the CVR containing several higher ranked targets including Ohakuri. GENZL subsequently earned a 70% ownership in the permits. In 2009, ground resistivity geophysics and sampling was completed at the Matahana and Forest Road prospects (GCO JV) and a decision was made to withdraw from the joint venture and the associated costs written off.

In **2008**, large scale E-SCAN® 3D resistivity surveys were completed over Pukemoremore and Horohoro followed by processing and interpretation. Together with interpretation of the E-SCAN® surveys at Tahunaatara and Ohakuri, management will employ a ranking system to prioritize drill targets amongst this group and across all drill targets.

Regional Reconnaissance Targets

Over 50 other initial, lower ranked targets lay within Glass Earth's original PP 39 241 area in the CVR. These were all examined via surface mapping, reconnaissance geochemical sampling, rock chipping, petrology and data interrogation. Upon expiry of PP 39 241 in October 2007, Glass Earth applied for permits over targets suitable for further exploration and relinquished the balance of the targets. Costs associated with those relinquished targets were written off in 2007. Subsequent re-evaluation and re-ranking of targets in the CVR, relative to their continued costs of tenure and priority for additional exploration funds has seen further low ranked targets relinquished and associated costs written off in 2008 and 2009.

FINANCIAL COMMENTARY

The Company prepares and files its financial statements and related notes in accordance with accounting principles that comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

During 2010, the Company announced the completion of two fundraising exercises which raised a gross \$6.2 million (with a further \$0.5 million received in early January 2011). In 2011 the Company completed two further fundraising exercises which raised a gross \$3.5 million. The exercise of share purchase warrants and share options raised an additional \$265,000.

Summary of Quarterly Results

Quarterly results for the past eight quarters ending December 31, 2011 are as follows:

\$000s	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash	3,614	4,579	2,486	3,801	3,981	1,322	1,602	38
Working capital	3,399	4,099	2,487	3,437	3,131	1,317	1,610	(283)
Total assets	19,480	20,058	17,729	18,192	17,809	14,428	14,560	12,962
(Loss) for period	(758)	(670)	(262)	(61)	(335)	(266)	(673)	(193)
Loss per share (cents)	(1.23)	(1.11)	(0.44)	(0.10)	(0.9)	(0.6)	(1.9)	(0.6)
Mineral exploration	630	669	614	481	530	189	229	98
Cash flow from financing	(37)	2,970	-	362	3,364	-	2,488	-

The Company is an exploration company and therefore classified as being at a 'development stage', as it has limited mining or other significant income. With all general and administration expenses being expensed, the Company records losses each year arising from the expensing of these cash operating costs as well as other non-cash expense items. Periodical reviews of capitalized exploration expenditures is undertaken and write offs and provisions are expensed to the Consolidated Statements of Operations, Comprehensive Loss and Deficit.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

Selected Annual Information

Selected annual information for the three financial years end December 31, 2011 is as follows:

	\$000s	2011	2010	2009
Cash		3,614	3,981	132
Working capital		3,399	3,131	(317)
Total assets		19,480	17,809	13,108
Loss for the year		(1,714)	(1,495)	(2,675)
Loss per share (cents) i basic & diluted		(0.03)	(0.04)	(0.09)
Mineral exploration expenditure		2,394	1,046	1,464
Cash flow from financing		3,295	5,852	79

Exploration Expenditures

Mineral exploration costs form the bulk of the Company's expenditures together with placer mining development costs. Exploration activities in Q4 included drilling at Muirs and various placer targets – some exploration, some infill drilling to improve confidence. Glass Earth contributes its 35% share to exploration costs in the Hauraki JV with Newmont. Narrative descriptions of exploration activities for the year (and prior years) are set out in the previous sections.

Exploration permits at Naseby (Otago) and Rahu (Hauraki) were relinquished during the Q4 period and expenditures associated with them have been written off during the period.

Exploration expenditures have accumulated as set out in the Table below:

	Quarters Ending			
	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
Opening balance	13,012	13,493	14,107	14,449
Airborne survey	-	-	-	-
Geological consulting, mapping and modeling	143	238	346	265
License rentals	41	15	75	85
Resistivity surveys	-	-	-	-
Drilling	297	361	248	280
Write down of Mineral Properties	-	-	(327)	(368)
Closing balance	13,493	14,107	14,449	14,711

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

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

Project	Opening Balance	Expenditure to Dec 30, 2011	Write off to Dec 31, 2011	Closing Balance
Otago Region	5,532	1,167	(138)	6,561
Hauraki Region	1,140	690	(297)	1,533
Waihi West Joint Venture	103	-	-	103
Mamaku Region	2,335	504	-	2,839
Central Volcanic Region	3,902	33	(260)	3,675
	13,012	2,394	(695)	14,711

Revenue from Mining Operations

The Company received the following revenues from mining operations:-

	Quarters Ending			
	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
Gold sales	201	152	180	145
Equipment rental	50	24	-	-
Total	251	176	180	145

Mining at **Gunclub** (Gold Recovery Unit #2) encountered a lower grade section of the resource, as indicated by drilling and trenching results, with consequent lower production. The rebuild of GRU #3 was completed and commenced mining at **Drybread** in Q4. Gold Recovery Unit #1 is to be reconfigured and is planned to commence mining at Drybread in mid-2012.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

Significant Expenses of a Corporate Nature

The net loss for the year ended December 31, 2011 was \$1,751,000 (2010: \$1,467,000).

Significant expense categories are discussed as per below:

Expenditure	2011		2010	Note
General and administration	235		208	1
Professional fees	144		116	2
Net salaries (after exploration charges)	246		246	3
Investor relations	392		123	4
Directors fees	29		38	
Consulting fees	28		16	
Registry and Filing	93		87	5
Travel and accommodation	42		41	
Depreciation	72		59	
Stock-based compensation	43		178	
Total	1,324		1,112	

Note

1. General and Administration costs include accounting services (\$112,000), insurance (\$30,000) and New Zealand office costs (\$70,000).
2. Professional fees are audit fees and legal fees incurred during the period.
3. Net salaries after exploration recharges are principally composed of the costs of the full time Chief Financial Officer, most of the costs of the Data/IT manager, and 25% of the Chief Executive Officer's salary (to reflect the split between exploration activities and the other corporate based work that he undertakes).
4. The Company is developing an improved Investor Relations programme, which covers the Canadian and European investor base (including London). The objective is to ensure that the market is fully informed of Glass Earth's progress as it enters an exciting time in its development path. Increased expenditure on personal presentations by the CEO and internet based dissemination of information, as assisted by IR professionals in Canada and London are budgeted to continue.
5. Increased capital raising activities has had a consequent effect on share registry costs and TSX/NZX filing fees.

Liquidity and Capital Resources

As a mining exploration company with currently modest revenues, the Company's operations are dependent on its ability to raise financing and its ability to realize assets and discharge liabilities.

The Company's cash position as at December 31, 2011 was \$3,614,000 (December 31 2010: \$3,981,000) and its working capital was \$3,399,000 (December 31, 2010: \$3,131,000).

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

The Company has a history of successive capital raisings (as is usual for an exploration company). In March 2005 the Company listed on the Toronto Stock Exchange after raising \$2.8 million; in early 2006 successive private placements raised \$2.5 million and in late 2006 the Company listed on the New Zealand Stock Exchange after raising \$7.1 million; in late 2007 and early 2008 further placements raised \$5.0 million. A smaller placement of \$0.371m was undertaken in December 2009. In 2010, the Company announced the completion of fundraising exercises which raised a gross \$6.2million. During 2011 the Company announced the completion of fundraising exercises which raised a gross \$3.5 million. The exercise of share purchase warrants and share options raised \$265,000.

Given the uncertainty in the financial markets and uncertainty in the outlook for additional financing during 2008/09, the Company prudently reduced the numbers of staff and offices in 2008. Commensurate with the reduction of permanent staff, existing large field offices were relocated to smaller shared offices.

In 2009/2010, in tandem with the approach of limiting overheads, the Company placed significant effort into developing some its numerous placer gold targets and a near surface hard rock gold 'pod' deposit (Ophir) - both with a view to establishing smaller scale mining that could provide a source of ongoing revenue that would contribute significantly to the Company's cash requirements.

Progress has been steady, with one placer mine in production and a 40 tonne gold recovery unit ("**GRU**") leased out from December 2009 to June 2011. A replacement placer mine commenced in early December 2010. In addition, the Company has signed a Letter of Intent with a Venture Partner to provide funding of up to NZ\$1.5m (circa C\$1.1m) to develop 2 placer mines. These initiatives are expected to generate significant contributions towards the Company's cash requirements. In March 2011, several additional exploration staff were hired and a large office/workshop leased in central Otago, to use as a base for operations.

The Directors have approved a rolling 12 month budget that allows the Company to continue as a Going Concern based on this year's fundraising, the cash budgeted to be generated from mining activities and contributions from joint venture partners.

The Company's existing share, option and warrant capital structure is set out at the end of this report under the heading of "Supplemental to the Financial Statements".

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

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

The **Hauraki Region** is subject to two joint ventures with Newmont Mining Corporation (Hauraki and Waihi West). With Newmont having earned its 65% interests in the Northern and Central areas of Hauraki, the Company has budgeted for expenditures in this region for 2012.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

The **Mamaku-Muirs and Central Volcanic Regions** exploration expenditures, including staffing, permit rental, resistivity surveys and field work are currently budgeted for modest activity through 2012 apart from trenching and drilling campaigns at the Muirs prospect. The **Otago Region** is a major focus of Company funded exploration endeavor and mining activities.

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.)

Other Matters

Use of Financial Instruments

For the year ended December 31, 2011, Glass Earth 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.

Contractual Obligations and Commitments

- a) At December 31, 2011 GENZL had capital commitments of \$223,000. (2010: Nil).
- b) GENZL has granted a 2% production royalty to Geoinformatics Exploration Ireland Ltd in respect of any production achieved from the Company's interests on targets identified and placed in the Target Bank, as a result of the Intervention Project over the Hauraki/Mamaku/CVR areas.
- 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 Company is committed to rental payments of \$24,000 that fall due in 2012 (2010: \$24,000).

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

- e) The Company has future multi-year work program obligations in order to maintain tenure of its mineral permits. These obligations include: - permit rentals, mapping, sampling, data compilation and modeling, geophysics, geochemical programs and drilling. The Company manages work programmes relative to available funding and prioritization of targets by seeking to amend or defer certain work programmes and to also reduce areas covered by permits.

Off-Balance Sheet Arrangements and Contingent Liabilities

Glass Earth 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 significant accounting policies are those that affect its financial statements, and are summarized in Note 4 of the audited financial statements for the year ended December 31, 2011. Critical accounting policies and estimates in the year 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, the allocation of proceeds on the purchase or sale of assets, the valuation of stock based compensation, warrants and tax accounts, and contingent liabilities.

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. 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, if any. 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

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

property transactions that have occurred in the same geographic area as that of the property under review.

Asset Retirement Obligations

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its exploration, development or mining properties. This amount is initially recorded at its discounted present value, with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral properties and deferred exploration costs and amortized over the useful life of the properties.

As the Company does not currently have any material legal obligations relating to the reclamation of its mineral properties, the adoption of this standard had no impact on the accounts of the Company.

SUBSEQUENT EVENTS

Business Combination

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). The acquisition cost consisted of cash and deferred cash of \$3.2m and the issuing of 2.188m Glass Earth Gold Ltd fully paid shares (total consideration of approximately \$4m).

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

In 2011 the placer joint venture (then 50% Glass Earth), contributed \$752,000 in gross revenue and \$274,000 in net revenue based on only one Gold Recovery Unit ("GRU") operating. The group plans to commission two further GRUs.

This, together with 100% ownership and increase in throughput should enable the Group to achieve its previously articulated production goals.

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, Glass Earth 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. The Company initially applied this process in the Hauraki / Central Volcanic Regions, where the Data Intervention project kick-started the generation of new gold targets and was augmented by the implementation of two major airborne geophysical surveys. Glass Earth commenced ground verification of its portfolio of targets through drilling.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

Glass Earth completed its second 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 joint ventures with Newmont Mining Corporation on the Company's Waihi West exploration permit alongside the Martha mine and the Hauraki Region permit portfolio.

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

For additional information, please refer to the Company's website at www.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 do not contain 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.

Glass Earth's operations are subject to all the hazards and risks normally associated with the exploration for gold and silver, any of which could result in damage to life, or property, or the environment. The Company's operations may be subject to disruptions caused by unusual or unexpected formations, formation pressures, fires, power failures, flooding, explosions, cave-ins, landslides, the inability to obtain suitable or adequate equipment or machinery, labour disputes or adverse weather conditions. Although the Company maintains insurance to cover normal business risks, the availability of insurance for many of the hazards and risks is extremely limited or uneconomical at this time. Through high standards and continuous improvement, the Company works to reduce these risks.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

In the event the Company is fortunate enough to discover gold and/or silver deposits, the economics of commercial production depend on many factors, including the cost of operations, the grade of the gold and/or silver and any associated minerals, 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 minerals 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 exploration 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.

Financing risk, until such time as the Company is cash flow positive

In the absence of significant cash flow from operations, Glass Earth relies on the capital markets to fund operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional finance could result in delay or the indefinite postponement of further exploration and the development of the Company's properties.

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

Exploration, development and 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. Glass Earth'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.

Claim Titles and Aboriginal Rights

Aboriginal rights in New Zealand reside in the indigenous population known as Maori. Maori, individually or collectively may advance claims on Crown properties, or other types of tenure, with respect to which mining rights have been conferred. Glass Earth is not aware of any such land claims having been asserted or any legal actions relating to Maori issues having been instituted with respect to any of the Company's properties. The legal basis of a land claim is a matter of considerable legal complexity and the impact of a land claim settlement and self-government agreements cannot be predicted with certainty. In addition, no assurance can be given that a broad recognition of Maori rights by way of a negotiated settlement or judicial pronouncement would not have an adverse effect on the Company's activities. Such impact could be marked and in certain circumstances, could delay or even prevent the Company's exploration or mining activities. The Company is aware of the mutual benefits afforded by a co-operative relationship with the Maori, in conducting exploration activity and is supportive of measures established to achieve such cooperation.

Dependence on Key Personnel

The Company's performance is dependent upon the performance and continued services of its current key management. While it has entered into contracts and adopted a stock option plan with the aim of securing the services of the existing management and staff, the retention of their services cannot be guaranteed. Accordingly, the loss of any key management of the Company may have an adverse effect on the future of the Company's business. The Company competes with numerous other companies and individuals in the search for, and acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and contractors.

Joint Ventures

The Company holds, and expects to hold in the future, interests in joint ventures. Joint ventures may involve special risks associated with the possibility that the joint venture partners may:

- have economic or business interests or targets that are inconsistent with those of the Company;
- be unwilling or unable to fulfill their obligations under the joint venture or other agreements;
- take action contrary to the Company's policies or objectives; or
- experience financial or other difficulties.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

Any of the foregoing may have a material adverse effect on the results of operations or financial condition of the Company.

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, these individuals 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 Glass Earth. In determining whether or not the Company will participate in a particular program or transaction and the terms of such participation, 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.

SUPPLEMENTAL TO THE FINANCIAL STATEMENTS

Outstanding Share and Option Data

Glass Earth's shares trade on the TSX Venture Exchange and the New Zealand Alternative Exchange ("NZAX") under the symbol "GEL". The Company is authorized to issue an unlimited number of common shares without par value. Subsequent to the 1:5 share consolidation on 18 March, 2010, as at March 26, 2012, the following items were issued and outstanding:

- 66,162,409 common shares;
- 2,828,000 common share purchase options with an average exercise price of \$0.4361 per share and expiry dates of between March 27, 2012 and August 17, 2015;
- 9,106,500 unlisted common share purchase warrants with an exercise price of \$0.35 per share and an expiry date of May 5, 2012;
- 5,102,840 unlisted common share purchase warrants with an exercise price of \$0.35 per share and an expiry date of June 7, 2012;
- 5,517,790 unlisted common share purchase warrants with an exercise price of \$0.50 per share and an expiry date of December 23, 2012;

Glass Earth Gold Limited
Management's Discussion and Analysis
For the year ended December 31, 2011

- 340,000 unlisted common share purchase warrants with an exercise price of \$0.50 per share and an expiry date of December 29, 2012;
- 2,027,426 unlisted common share purchase warrants with an exercise price of \$0.50 per share and an expiry date of January 6, 2013.
- 1,150,400 unlisted common share purchase warrants with an exercise price of \$0.50 per share and an expiry date of January 8, 2013
- 2,665,949 unlisted common share purchase warrants with an exercise price of \$0.80 per share and an expiry date of September 23, 2013 and
- 340,900 unlisted common share purchase warrants with an exercise price of \$0.80 per share and an expiry date of October 5, 2013

There are no shares subject to TSX Venture escrow provisions.

FORWARD-LOOKING STATEMENTS

*These audited consolidated financial statements and this Management's Discussion and Analysis, contains certain "Forward-Looking Statements" that are prospective and reflect management's expectations regarding Glass Earth Gold 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 failure 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.*

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.