

GLASS EARTH GOLD LIMITED

For the six months ended June 30, 2012

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 35**

QUARTERLY 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%)
Newmont and Glass Earth commenced a further 5,500m drill programme at the WKP gold-silver prospect in April 2012. Three drill holes were completed in Q2 2012; WKP32, 33 and 34. A fourth hole is in progress.

Full assay results are expected by early September

- **MUIRS gold project** in Mamaku, New Zealand (Glass Earth 100%)
A 17 hole drill programme of approximately 2,350m at the Massey Reef commenced in late November 2011 targeting the Muirs/Massey gold-silver bearing epithermal quartz veins to bring confidence in the resource to Industry standard (JORC/NI 43 101).
 - *Drillholes **MSDH12, MSDH13, MSDH14** were completed within the quarter, **MSDH15** continued into July 2012.*
 - ***MSDH12** intersected at a greater depth than expected, expanding the cross sectional width of known mineralisation in the central part of Massey Reef. (Press Release 31 May 2012).*
 - *Compilation of results and subsequent interpretation is anticipated early in September.*

- **GARIBALDI gold project** in Otago, New Zealand (Glass Earth 100%)

*Glass Earth announced in April 2012, that it had made a new **gold discovery** at its Garibaldi project in Central Otago.*

- *Exploration continued in the quarter with channel/panel sampling and detailed ground magnetic (geophysical) surveying to clearly delineate the host mafic schist and attendant structures likely to be the focus of gold mineralisation. 168 line kms of surveying was completed in a 12 day period; data has now been post processed and interpreted.*
- *Planning is underway to drill this project in the third quarter 2012.*

PLACER MINING – Acquisition and Growth in Otago, New Zealand

- *Mining operations took a major step forward with the establishment of two additional mining units at Drybread in Otago, successively in late May and late June. Site set-up costs and commissioning costs have been written off as incurred. This, combined with lower productivity (expected in the winter) and amortization of exploration costs, has provided a loss for the quarter.*
- *Lower productivity in July (mid-winter) has improved in August.*
- *The full benefits of the increased throughput and 100% ownership should become apparent in the spring/summer in New Zealand, with a significant improvement in gold production and cash generated.*

FINANCIAL

- The **Company's cash position** as at June 30, 2012 was \$1,579,000;
 - Trade payables totaled \$689,000;
 - Current and term liabilities in relation to the placer acquisition comprise twenty four monthly payments of NZ\$80,000 (C\$65,768);
- Management and Directors are pursuing several alternatives to ensure funding is available to progress the Company's exploration projects.
- **Financial results** - The net loss for the three months ended June 30, 2012 was \$7,260,000 comprised primarily of a non-cash item: the write-off of accumulated exploration expenditures of \$6,330,000. These expenditures, incurred predominantly in 2005-2008, relate to prospects that have been superseded, in terms of prospectivity, by targets and projects that now rank higher for available funds.

Further explanation of the accumulated exploration expenditure write-offs is included at page 23 of the Financial Commentary section.

INDEX	Page
• Introduction	4
• Corporate History and Nature of the Business	4
• Board of Directors and Management	5
• Capital Transactions and Significant Events	5
• Exploration Summary and Updates	7
• Financial Commentary	22
○ Exploration expenditures	
○ Significant revenue/expenses of a Corporate Nature	
○ Financial statistics	
○ Liquidity	
○ Related Party transactions	
○ Other matters	
○ Critical Accounting Policies and Estimates	
• Subsequent Events	30
• Outlook	30
• Risks, Uncertainties and Other Issues	30
• Supplemental to the Financial Statements	34
• Forward-Looking Statements Caution	35

INTRODUCTION

This discussion and analysis of the operating results and financial condition of Glass Earth Gold Limited ("**Glass Earth**", or the "**Company**") for the six months ended June 30, 2012 as prepared on August 28 2012, should be read in conjunction with the unaudited 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 six months ended June 30, 2012 and the factors reasonably expected to impact future operations and results.

The unaudited 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. Mr Henderson (MSc Geology (CODES), is an AusIMM Chartered Professional under the Discipline of Geology and is a Qualified Person as defined by National Instrument 43-101. He has reviewed and approved the technical information given in this document.

CORPORATE HISTORY AND NATURE OF THE BUSINESS

Glass Earth's recent corporate history is that in March 2005 it was the subject of a Reverse Takeover ("**RTO**") of the Company by Glass Earth (New Zealand) Limited ("**GENZL**"). The Company's common shares were re-listed on the TSX Venture Exchange in early April 2005 and the Company is classified as a mining exploration / development company by the TSX Venture Exchange.

The principal activity of Glass Earth is exploration for gold and silver in New Zealand. Large airborne geophysics campaigns in 2005 (Hauraki & Central Volcanic Regions) and 2007 (Otago Region) have been followed up with ground-based exploration and drilling. The initial minerals permits covered extremely large areas and have been progressively reduced in size, as required by the permitting regime, with priority target areas retained.

Hauraki Region

This region occupies a significant ground position around the Martha Mine at Waihi and its environs; Newmont Mining has Joint Ventures with Glass Earth: (i) the Waihi West permit, immediately adjacent to the Waihi/Martha Mine; and (ii) the surrounding Hauraki Region permits. A target, known as WKP, is currently being drilled by Newmont as part of an ongoing campaign

Mamaku Region

This region includes the Muirs Reef prospect, which historically has produced more than 43,000 ounces of gold.

Otago Region

This region was the subject of a major data collection/geophysical survey covering over 13,000 km², comprising over 52,000 line kilometers and was the largest airborne geophysical survey ever conducted in New Zealand, at the time. Detailed on-ground evaluation and drilling has led to the identification of priority targets – including placer mining opportunities.

BOARD OF DIRECTORS AND MANAGEMENT

Current directors are:

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

All based in New Zealand, and

- **Justin Cochrane** (independent non-executive director - Vancouver, Canada)
- **Adrian Fleming** (independent non-executive director - Vancouver, Canada)
- **Paul C Jones** (independent non-executive director – Colorado, USA)

CAPITAL TRANSACTIONS AND SIGNIFICANT EVENTS

Capital Transactions

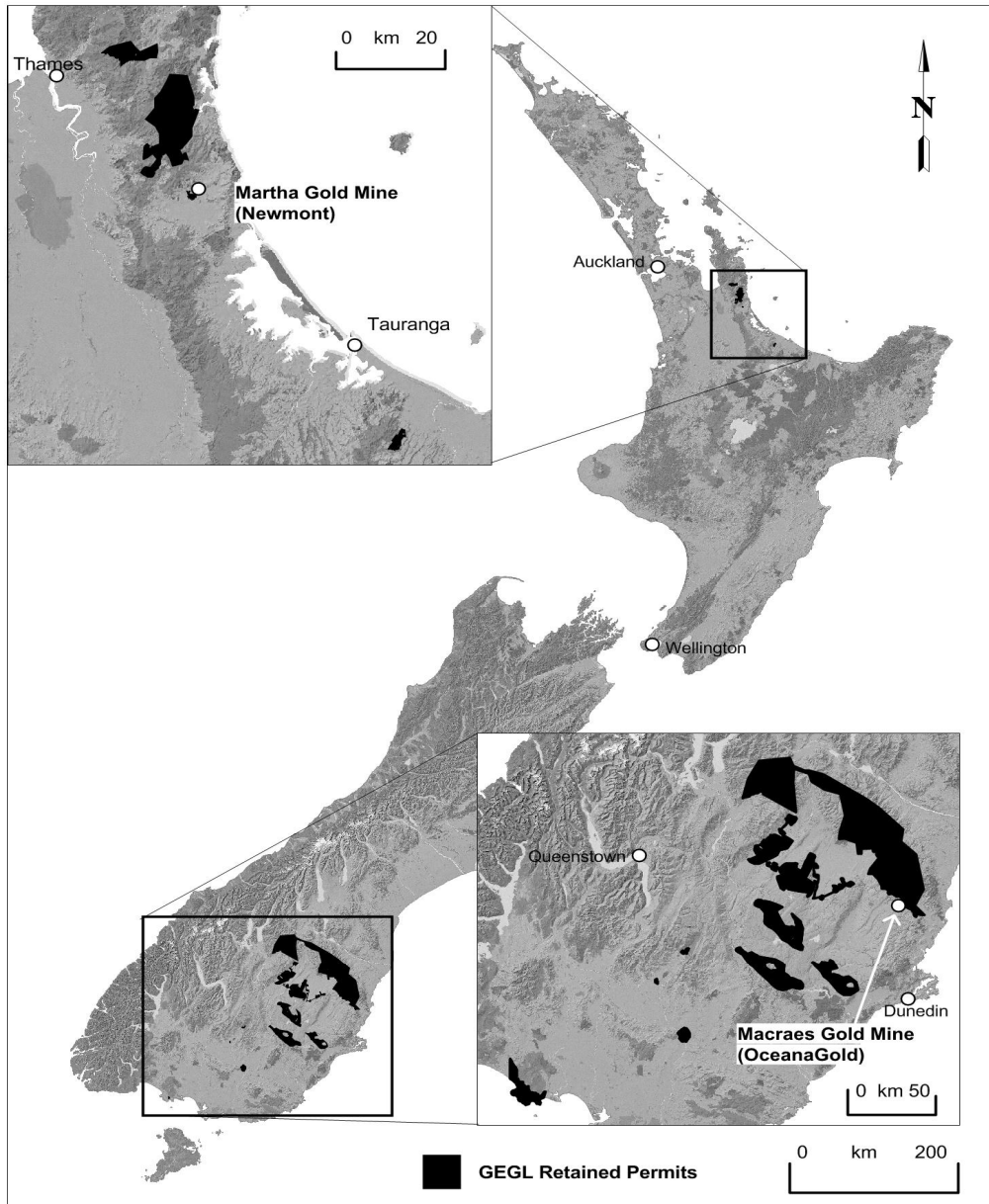
On **March 15 2012**, the Company announced it had acquired the remaining 50% of its placer exploration and mining JV for a combined \$4m.

The consideration for the transaction comprised an immediate cash payment of NZ\$0.5m (C\$0.4m) and the issuing of 2,188,184 Glass Earth Gold Limited fully paid ordinary shares; cash of NZ\$1.5m payable June 11, 2012 and twenty five (25) monthly payments of NZ\$80,000 (C\$66,000) commencing July 1, 2012 (refer to Note 22 of the Q2 Financial statements for further information).

On **March 19, 2012**, the 2,188,184 common shares were issued for 37.5 cents per share.

On **June 25, 2012**, 11,785,750 common shares were issued for 20 cents per Unit, each Unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of 35 cents per share for a period of two years following the date of issue of the Units.

GLASS EARTH EXPLORATION REGIONS



EXPLORATION SUMMARY & UPDATES

Further detailed information and history has been reported in the annual MD&A report for the year ended December 31, 2011.

The Company's exploration activities are carried out solely in New Zealand by its wholly-owned subsidiary, Glass Earth (New Zealand) Limited ("**GENZL**"). Since 2005, GENZL has established a large portfolio of gold prospecting and exploration permits in New Zealand, including:

- Advanced gold prospects in the **Hauraki-Waihi** area;
- Advanced gold prospect at **Muir's**, between Rotorua and Tauranga;
- Greenfield gold prospects in the **Central Volcanic** Region, between Rotorua and Taupo; and
- Advanced and greenfields gold prospects in the **Otago** mesothermal gold fields which it believes are prospective for Macraes style gold mineralization.

Glass Earth Gold is now entering into a new phase of exploration and development, supported by cash flow from its placer mining operations. Key to management's strategy is a re-focusing on its primary gold development opportunities (e.g. WKP gold project) and increasing its cash flow from placer mining.

Management has undertaken a rigorous reassessment of all its exploration targets and enveloping permit holdings, resulting in a significant pruning of greenfields targets and a reduction of permits to allow Glass Earth's to have a renewed focus on its primary objective: - the advancing of resources definition on its most prospective projects.

Cash flow from placer mining in Central Otago will assist in funding these endeavors.

Upside potential in Glass Earth's most advanced projects in the Hauraki (WKP, Waihi West) and Bay of Plenty (Muir's Reef) is the focus, with other opportunities in Hauraki such as Glamorgan and Garibaldi in Otago.

The reassessment exercise and subsequent permit relinquishment resulted in write-offs of some C\$6.6m of historic accumulated exploration expenditures for the year to date (6 months). The rationale behind this process is explained in the Financial Commentary section at page 23.

Hauraki Region (Updates in italics)

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

In February 2007, Glass Earth entered into Joint Venture arrangements with Newmont Mining over three areas (the Northern, Central and Southern Areas). In 2008 and 2009, Newmont undertook several drilling campaigns and in 2010 completed its earn-in of 65% in respect of the Northern and Central areas and withdrew from the Southern area (which Glass Earth also relinquished).

WKP Prospect (Glass Earth 35%: Newmont 65%)

The primary target in the Central area is the **WKP** prospect, which is a 2 km mineralized alteration zone, just 10 km from **Newmont's Martha gold mine** at Waihi. The WKP epithermal system has magnetic/alteration characteristics similar to the Martha mine and has open-along-strike potential for several kilometers 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.

In **2010**, Newmont completed three diamond drill holes on the **WKP** gold-silver prospect being WKP 24, 25 & 26. Ground resistivity work on **WKP West** located resistors bolstering knowledge and identifying another strong target to the west and adjacent to the known area. Drilling targeted the new **WKP West** zone and outlined a new area approximately 180 m wide with a strike continuity of over 600 m.

In **2011**, helicopter supported diamond drilling continued with WKP 27, 28, 29, 30 and 31 completed. WKP 28 confirmed significant low grade gold mineralization, highlighted by narrow intervals of high grade demonstrating the zone has potential for over 800m strike and a vertical extent of over 250m. The five long, angled, diamond holes drilled all intersected significant gold-silver mineralization over broad widths confirming a potentially very large epithermal gold system.

WKP 29, drilled westward into new target zone "**WKP South**" targeted a potentially new mineralized zone to the south-west, intersecting a zone of high grade gold-silver mineralization. The intersection of andesites (the preferred host for epithermal mineralization) with rhyolites, in this large and fertile system, is encouraging.

Drillhole ID	From	To	Interval m	Au g/t	Ag g/t
WKP 28	174	223	49	1.08	3.3
incl.	174	175	1	7.69	34.0
WKP 29	216	219.2	3.2	37.0	17.0
incl.	217.1	218	0.9	89.2	39.2
and	279.8	293	14.8	4.82	2.7
WKP 30	194	237	43	0.93	1.21
incl.	194	203	9	3.2	2.6
WKP 31	146.1	155.8	9.7	17.2	24.2

2012 – Q2 Update

Newmont and Glass Earth commenced a further 5,500m drill programme at the WKP gold-silver prospect in April 2012. Three drill holes were completed in Q2 2012; WKP32, 33 and 34. A fourth hole is in progress.

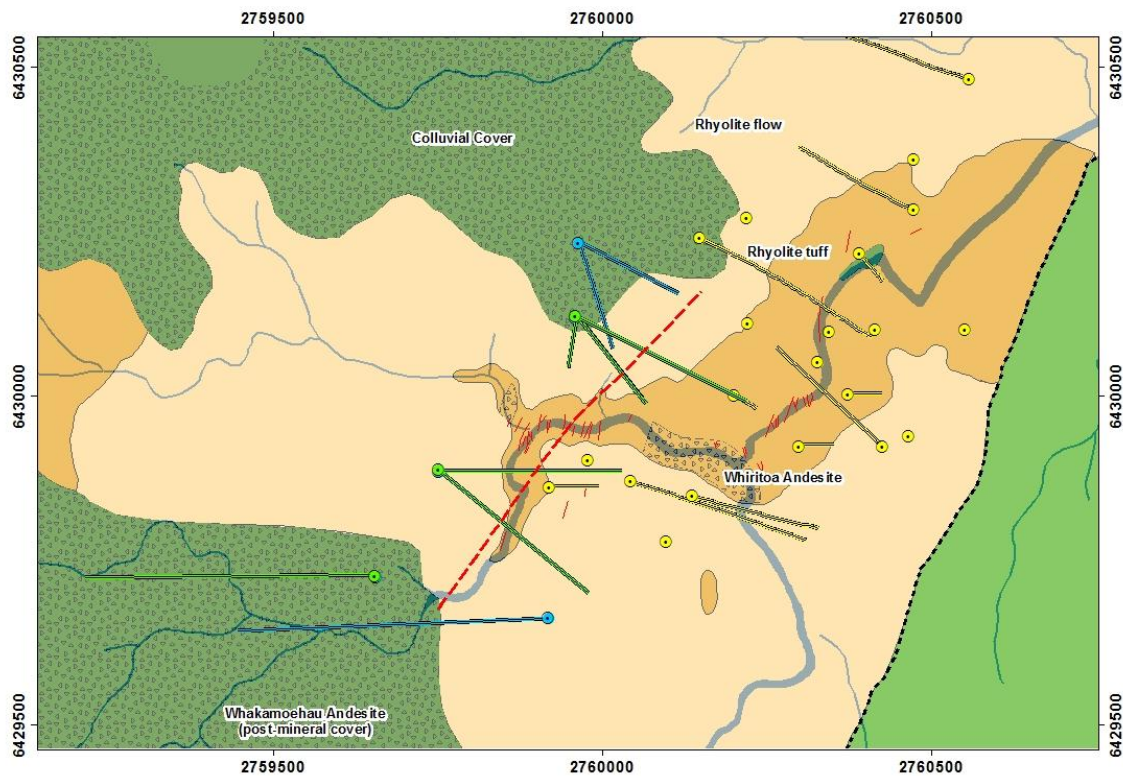


Figure 1: WKP Q2 2012 Drill Programme

WKP32 reached 696m by the end of May. The hole was sited to test the andesite basement-hosted depth extent of rhyolite-hosted mineralized structures intercepted in WKP29 and WKP30.

Moderate to intense alteration and sporadic narrow (<20cm) quartz veins were intercepted through much of the drilled interval of this hole, giving way to narrow calcite veining at depth.

This appears to demonstrate that the Central Zone persists to the south. Split core has been sent for multi-element analysis, with full results anticipated by 30 August 2012.

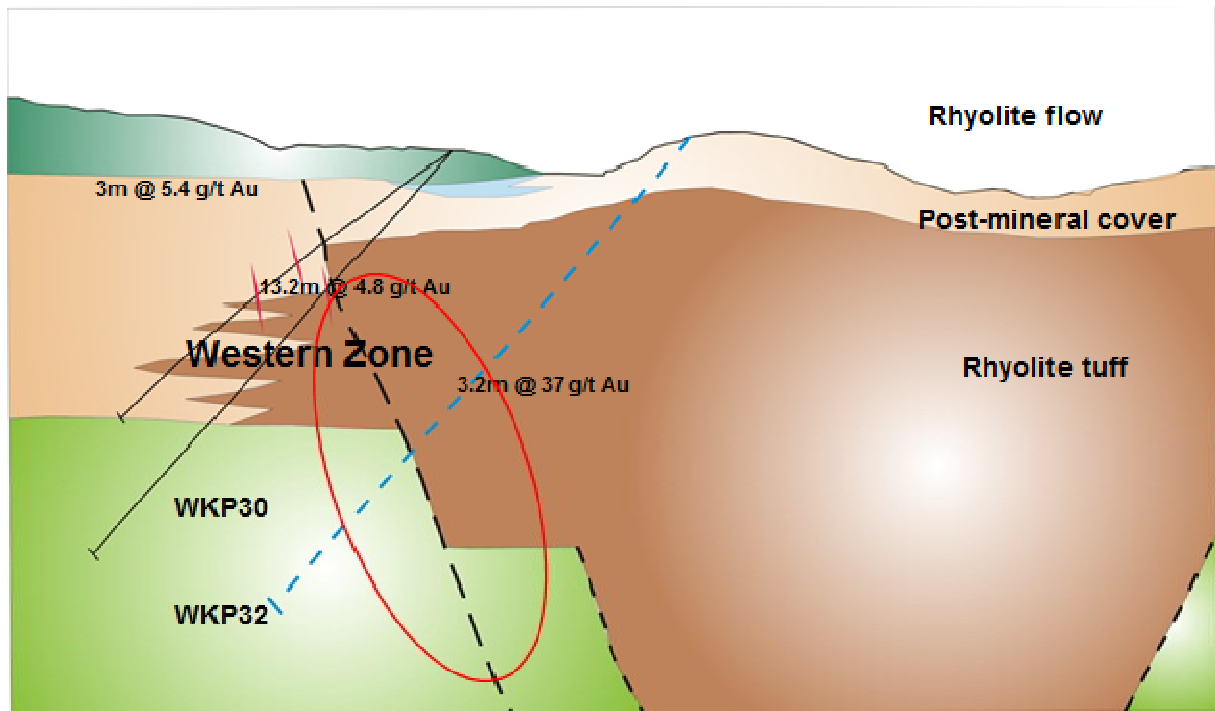


Figure 2: WKP32 Cross Section

WKP33 and **WKP34** were drilled to test the mineralized T-Stream Vein Breccia (7.5m @17.2 g/t Au in WKP31) in a north northeast direction. WKP33 was completed to 429m and WKP34 to 260m. Initial results indicate an intercept of the T-Stream Vein (with a true width of 6.5m in WKP33). Full results are anticipated by 30 August 2012.

Gravity and CSAMT (Resistivity) geophysical surveys were extended, infilling and extending the present ground geophysical coverage. A pilot gravity survey was designed to utilise the density contrast between rhyolite and andesite, to model the andesite basement. Five CSAMT survey lines (4.2km) were completed within the quarter. Three lines tested the eastern extensions of previous surveys to test a strong resistive trend in the hanging-wall of EG (Eastern Graben) fault and two lines stepped out to the south to capture the southerly development of CSAMT resistive trends. Survey results indicated strong resistors to the east and south. The results have been integrated into forward drill planning.

WKP35, collared in July 2012, targets the Eastern Graben resistors and is currently at ~ 400m.

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 June 2012, Newmont had expended approximately 73% of the funds required for it to earn an initial 60% equity in this permit.

Mamaku/Muir Region (Updates in italics)

Muir Prospect (Glass Earth 100%)

Large scale E-SCAN® 3D resistivity surveys were conducted north and south of the **Muir** in **2007**, with follow up surface mapping and rock chip sampling. Land access obtained in **2008** allowed a drilling campaign to test ground in and around the historic Muir deposit. Drilling of three deep diamond holes at Muir returned several gold intercepts.

In **2009**, gradient array resistivity profiling over the Muir prospect suggested a broader epithermal vein system may lie west of the Muir veins.

In **2010**, a multi-hole drilling program over the **Muir** prospect commenced with five drill-holes completing a fence of drilling across the center of the prospect to test geophysical/gold geochemical anomalies located parallel to, and along strike of **Muir** and **Massey Reef**. The objectives were only partially met due to full sectional coverage not being achieved however, encouragement in the **Muir-Massey Reef** was found from the detection of alteration and veining on the potential **Eastern Vein** target and significant potential indicated in the **South**.

In **2011**, Glass Earth's exploration concentrated on surface channel sampling. Ten trenches were 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 were very positive including 24m @ 5.72 g/t Au. These trenches have discovered significant quartz veining, exhibiting multiple phases of gold deposition, across over 450 m of the prospect's southwest extension.

A 17 hole drill program, of approximately 2,350m at the Massey Reef, commenced with the first two drillholes completed in 2011.

Drillhole **MSDDH08** penetrated a highly altered andesitic volcanic unit with variable quartz veining throughout. Results included an intercept of 17m @ 1.71 gm/t Au. 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. Results included 2m of 38.4 gm/t Au.

Q1 2012 EXPLORATION ACTIVITY

The seventeen hole Muir Reef drill program continued at the Massey Reef in Q1 2012.

MSDDH10 intersected a wide zone of weathered and altered coarse grained andesite with zones of quartz veining from 55m to 120m. This includes individual quartz veins up to 1.5m wide and areas of stockwork veining. Results from MSDDH10 include 2m at 2.6 g/t Au.

MSDDH11 was terminated because of decreasing intensity of alteration.

2012 – Q2 Update

A 17 hole drill programme of approximately 2,350m at the Massey Reef commenced in late November 2011 targeting the Muir/Massey gold-silver bearing epithermal quartz veins to bring confidence in the resource to Industry standard (JORC/NI 43 101). The drill programme continued through Q2 2012, following encouraging results

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

in the first quarter showing continuity of the 12-15m wide epithermal quartz veins, and narrow high grade intervals (MSDDH09 2m @ 38.4 g/t Au, and 49.2 g/t Ag from 48m down hole.

*Drillholes **MSDH12, MSDH13, MSDH14** were completed within the quarter, **MSDH15** continued into July 2012.*

MSDH12 reached 128m and intersected a clay altered andesite host with stockwork quartz veining and several meter scale quartz veins. This included a large quartz vein intersected at a greater depth than expected, expanding the cross sectional width of known mineralisation in the central part of Massey Reef. (Press Release 31 May 2012).

MSDH013 reached 61.7m with significant quartz veining and silicification from the base of recent ash (17m) to the end of hole. The last 3m of the hole was entirely massive quartz veining. Hole Failed – stuck rods.

MSDH014 reached 100.9m and encountered silicified andesite with stockwork quartz veining with several metres of massive quartz veining around 70m.

MSDH015 intersected altered andesite with sporadic stockwork quartz veining.

Drilling has been frustratingly slow with soft intensely altered and oxidised andesites with frequent hard broken quartz veining proving problematic to drill. Both holes 13 and 15 required abandonment or re-drilling, significantly delaying completion and subsequent delays in dispatch of core for analysis.

Compilation of results and subsequent interpretation is anticipated early in September.

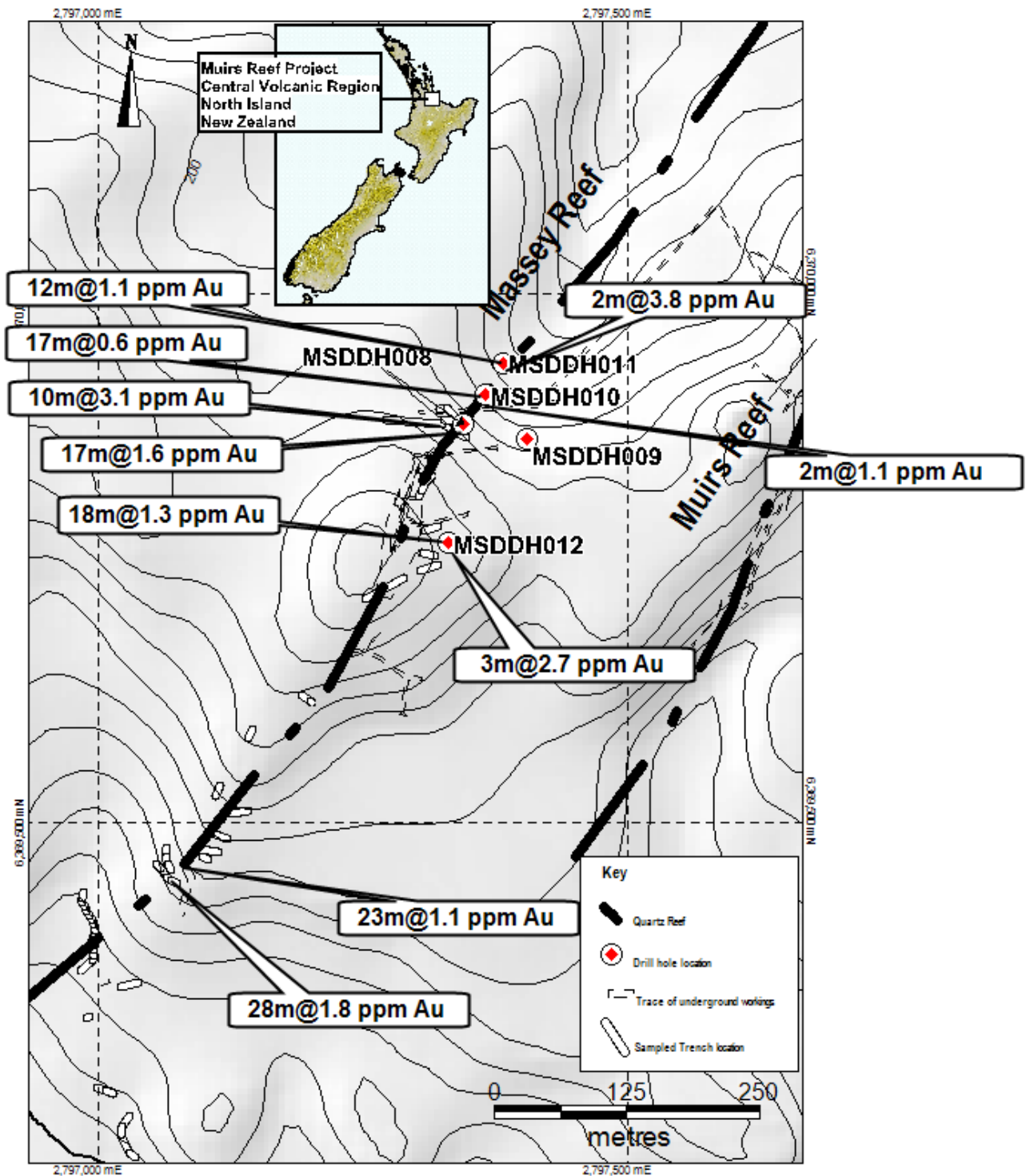


Figure3: Muir's Reef Project

Otago Region (*Updates in italics*)

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. In **2007/08** regional work was undertaken on the following targets: Rock and Pillar Range; Rough Ridge; Serpentine; Sparrowhawk; Game Hen; Gold & Pine; Cap Burn; Stony Creek; Argyle and Shag Valley.

In **2009**, work was undertaken on the Ophir project after concluding a 50/50 joint venture agreement with Ophir Gold Limited. A comprehensive geological map was completed across the Ophir project area.

Significant effort was put in to delineating **placer resources** to allow evaluation studies to support mining. Infill RC-drill programs were carried out over three prospects and two were tested further with pitting which supported the drilling results. Joint Venture mining (50/50) commenced in December 2009 at McAdies followed by mining commencing at Gunclub in late 2010.

In **2010**, **exploration** was concentrated on **Ophir**, Rise & Shine and Lot's Wife (the latter two targets were relinquished).

In **2011**, **exploration** was concentrated on Serpentine, Ophir, Sparrowhawk, Hindon, Game Hen and Moeraki.

At the **Ophir** project (50% GENZL) **Wai-iti** mine scoping work continued with open pit and underground samples submitted for metallurgical test work and a pilot processing plant design and costing completed. Metallurgy results confirmed a high coarse gold component with around 50% gold recovered in a first tabling concentrate and an additional 32% recoverable by adding a flotation concentration process. A shallow 17 hole drill program was undertaken at **Ophir** across 8 shears, along with complementary mapping and geophysical surveying. Samples were assayed by cyanide leach and initial lab results were encouraging including OPH013 with 4.2 g/t Au over 8m from 2 to 10m and OPH014 with 5.8 g/t Au over 6m from 20 to 26m.

Soil sampling at **Sparrowhawk South** tested structures identified in Glass Earth airborne geophysics data. Assay results identified areas of anomalous gold which were subsequently followed up with programs of geological mapping and sampling. Encouraging rock chip samples returned values up to 8.73 gm/t Au at Garibaldi.

Channel sampling was undertaken at **Sparrowhawk**, **Manorburn** and **Sonora Creek Quarry** to ascertain potential grades from a speculated new style of mineralization. Initial results did not indicate the presence of a new pre-enriched protolith as postulated.

Mapping and rock chip sampling were undertaken at **Hindon and Game Hen** (East Otago). A program 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 2012.

Q1 2012 EXPLORATION ACTIVITY

A full technical review of the **Hindon** and **Game Hen** drill results and other exploration data) concluded that further exploration work on these prospects is not warranted and the permits were relinquished and the associated accumulated exploration costs written off.

A network of gold bearing quartz veins was discovered at new prospect **Garibaldi**. Mapping and sampling at SparrowHawk South, in 2011, revealed anomalous gold and led to the identification of a quartz vein system at Garibaldi. A trenching program commenced to follow up on positive rock chip geochemistry associated with quartz vein T4 (up to 8.73 gms/t gold). Eight trenches were completed, exposing a stock work of quartz veins, up to 1.5m in width.

2012 – Q2 Update

Garibaldi Prospect (Glass Earth 100%)

*Glass Earth announced the discovery of the gold mineralised **Garibaldi** Vein System on 23 April 2012, showing ore grade gold and related tungsten and arsenic mineralisation within vein sets striking over a 900m length and 300m width in outcrop and trenching.*

Geological mapping, detailed soil/gold sampling, and trenching have scraped the surface of a significant gold and related tungsten and arsenic mineralisation associated with multiple east-west and northeast-southwest trending epizonal-style quartz + sericite/illite + Fe-sulphide vein altered and sheared mafic schist in the Omnibus Stream catchment, North Rough Ridge, Central Otago.

Channel/panel sampling from trenching (individual samples of 1mx1m) demonstrate consistent mineralised E-W orientated quartz veins with individual grades between 1 – 16.1 gm/t gold and importantly interfingered mafic schist with grades between 0.5 – 2.65 gm/t gold.

This is an important development in early stage prospect delineation where the potential for significant widths of mineralised quartz and host mafic schist offer potential for a significant size mesothermal gold discovery.

Exploration following GEG's major airborne geophysics survey in 2007 highlighted mafic protoliths as important hosts to gold mineralisation; regional geochemical surveys followed by detailed soil surveying over the mafic's recorded anomalous gold in soil over an area 5 km x 2 km with individual results up to 9,750 ppb Au, with anomalous arsenic and tungsten.

This discovery attests to the science driven exploration program focused on discovery of gold deposits similar to OceanaGold's 7.2 million ounce Macraes gold deposit in the metamorphic terrain of Central Otago.

Exploration continued in the quarter with channel/panel sampling and detailed ground magnetic (geophysical) surveying to clearly delineate the host mafic schist and attendant structures likely to be the focus of gold mineralisation. 168 line kms of surveying was completed in a 12 day period, data has now been post processed and interpreted.

Planning is underway to drill this project in the third quarter 2012.

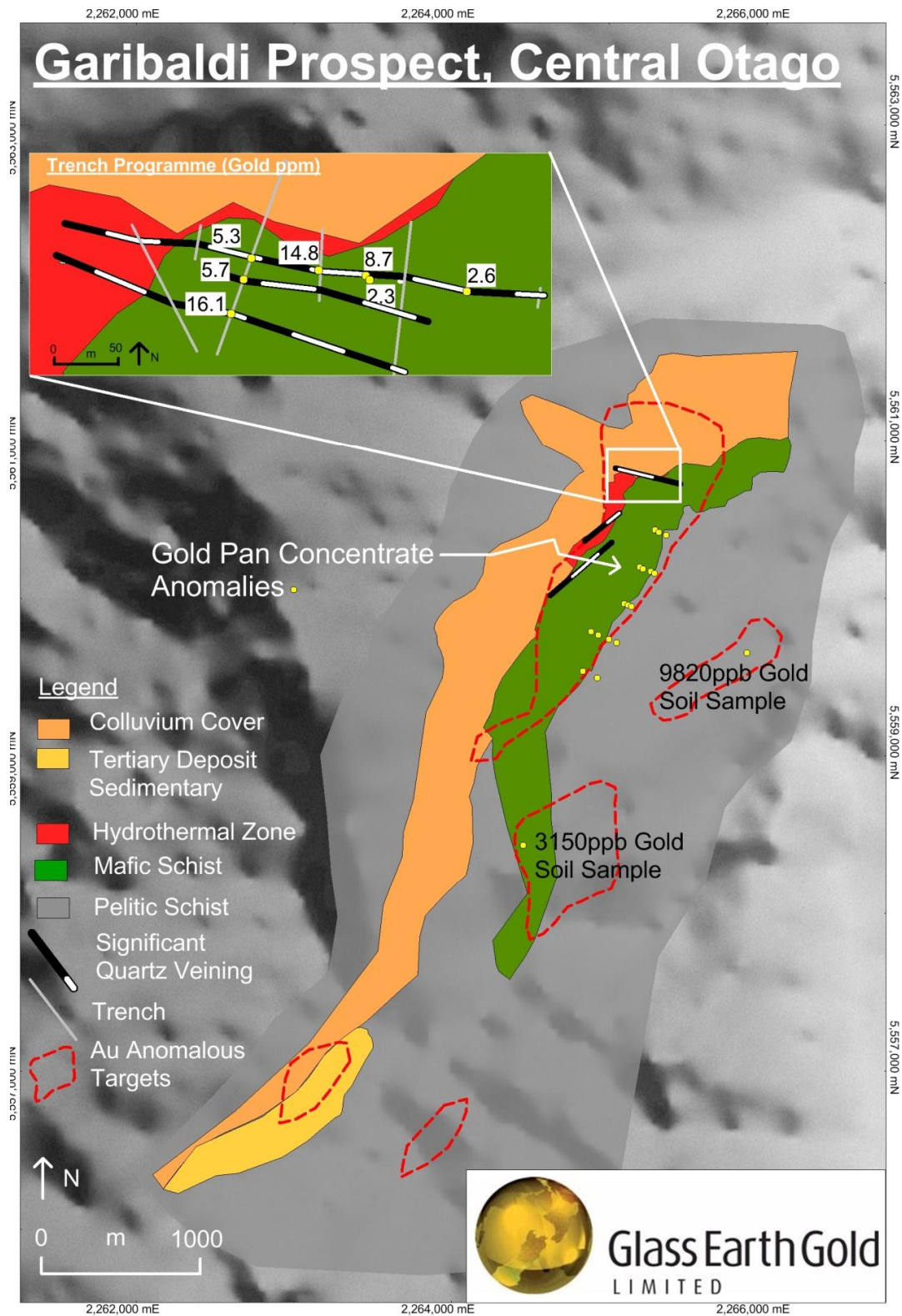


Figure4: Garibaldi Prospect

Ophir Gold Project (Glass Earth 50%)

The Ophir prospect is located within Exploration Permit 40 427, on the Raggedy Range behind the Ophir Township, 25km NE of Alexandra in the South Island of New Zealand.

Both an airborne magnetic/resistivity survey and a ground magnetic survey have been conducted over the permit area. These datasets highlighted a prominent body of green schist running through the Ophir permit (magnetic high). The green schist in the Ophir permit appears to be directly associated with majority of the mineralised structures. This correlation has led to improved definition of known shear zones (including strike extensions) and the discovery of previously unknown gold anomalies.

Detailed geological mapping has been carried out across the permit area to better understand lithological contrasts and relationships. Prominent geophysical features such as the band of green schist with varying mineralogy between chlorite + epidote + amphibole + feldspar was mapped. Psammitic and pelitic greyschist and its transitions with varying quartz-feldspar-mica content were also mapped out.

GENZL collected 650 soil samples and 51 rock chip samples across the Ophir prospect. This led to improved definition to strike lengths of known structures, and the discovery of new gold anomalies.

The Wai-iti Shear (Wai-iti) has been identified as the target with the most economic near term potential at Ophir and has the potential to host a small-scale open pit mine.

Mineralisation at Wai-iti is hosted within a NW trending shear zone which dips moderately (50°) to the SW. The shear is characterised by a pelitic greyschist (hanging wall) juxtaposed to a greenschist (footwall) by a higher angle brittle shear. Wai-iti has a proven strike of 355m, width ranging between 5 – 10m and depth exceeding 80m, down dip from the surface. Mineralisation occurs primarily as disseminated sulphides hosted in domains of highly deformed country rock schist and as rare quartz vein arrays, with individual veins 1 – 25cm thick. Alteration is primarily hydrated iron oxides with minor silicification developed locally.

An ore model of Wai-iti has been built using exploration drilling results. Resource calculations from the ore model indicate a NI 43-101 non-compliant resource (using a 1g/t cut-off) approximating 75,000 tonnes at just over 2g/t gold totalling some 5,000 ounces. A potential open pit gold mine is predicated on being a small scale 'boutique' mine using small mining equipment, with 20 to 30 tonne excavators planned to carry out the mining with ore carted to a processing plant and the gold recovered by gravity circuit means.

Open pit and underground samples submitted for metallurgical test work confirmed a high coarse gold component (nugget effect) through variable head grade assays. Results of the first pass gravity separation indicated 50% gold recovered in a first tabling concentrate with an additional 32% gold recoverable by adding a flotation concentration process.

Exploration work has identified several shear zones within the permit area which hold the potential to add additional resources to the Wai-iti project. Geophysics, geological mapping and geochemical sampling highlighted anomalous Au associated with both historically mined shear zones and new discoveries.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

A shallow drill programme of 12 drill holes targeted 8 of these most prospective shears. Drill samples were assayed by cyanide leach and initial lab results have been encouraging, with full assay results shown in the table below. Assay results for three drillholes are awaited.

Drillhole ID	From (m)	To (m)	Interval (m)	Au (g/t)
OPH001	4	6	2	3.06
OPH005	7	14	7	1.25
Incl:	8	10	2	1.79
OPH007	2	7	5	1.40
OPH008	9	12	3	1.48
OPH009	13	18	5	1.70
OPH010	18	19	1	1.47
OPH013	2	10	8	4.20
OPH014	13	14	1	3.30
	20	26	6	5.80

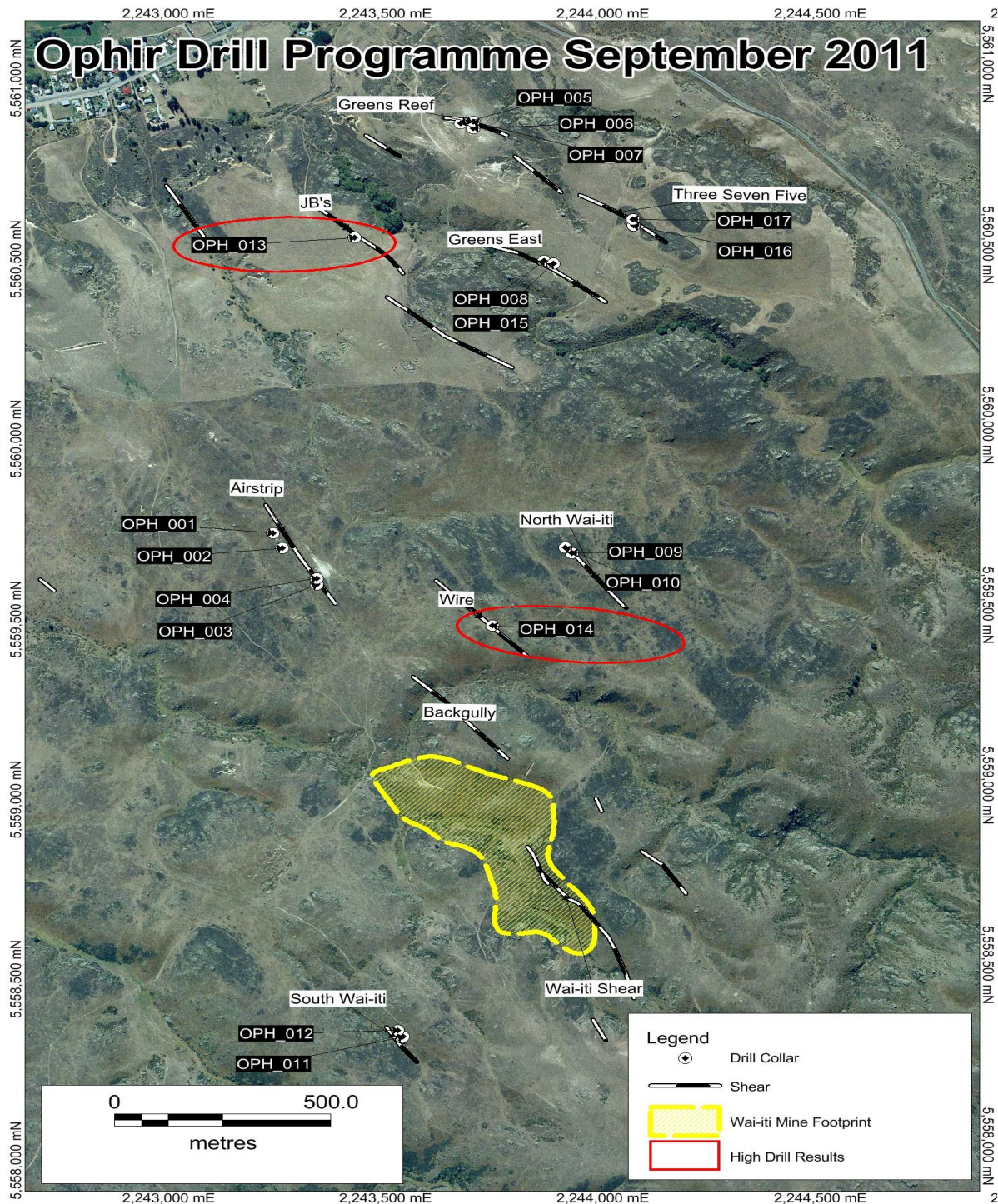


Figure 5: Ophir Project and Shear Zones

Placer Exploration (Glass Earth 100%)

Until March 2012, placer mining was conducted under a 50/50 joint venture with an experienced placer miner in the Otago region. In Q1 2010, the first generation of cash from these placer initiatives was recorded. 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**, the then 50/50 placer joint venture entered into a farm-in arrangement with Placer Gold International whereby PGI would fund the drilling and bulk sampling at Vinegar Hill in the Manuhirekia Valley (the 2 target areas are referred to as Shepherd's Flat and Nicholson's Lake). In **2011**, resource definition drilling was completed at **Shepherds Flat** (57 drill holes and 709m of drilling). Results were encouraging and a full analysis of drilling was presented to the earning party, Placer Gold International, who agreed to proceed to stage two of the Shepherds Flat earn-in.

RC drilling and pitting continued at **Drybread** to provide grade control and resource definition in preparation for mining. Encouraging results allowed progression with mine planning. Council resource consents and a mining permit were granted allowing two further Gold Recovery Units to be deployed – complementing production at Gunclub.

Q1 2012 EXPLORATION ACTIVITY

In late March 2012, Glass Earth took full ownership of its placer gold production joint venture. Settlement of the transactions took place on March 19, 2012. Taking full control of placer mining activities should enable the Company to significantly accelerate and increase gold production capacity.

Glass Earth is continuing with gold production at the "**Gunclub**" mining operation while preparing for two additional operations to commence nearby in New Zealand's Otago region. Site preparation has been completed at the "**Drybread**" mine site, with the second placer Gold Recovery Unit ("**GRU**") mining operation being commissioned in late May 2012. The Company is also refurbishing and upgrading its GRU #1, which is expected to be installed and running as another operation at Drybread by June 2012.

A drill program was completed at **Waikaia** from the 6th to the 23rd March. A total of 34 holes were drilled. Drill samples were assayed at Glass Earths Alexandra laboratory with encouraging intersections of gold bearing "wash" were detected including one standout sample from hole WAI41B recording 15,300mg/m³ of gold between 7-8m. The gold within this interval was very fine which precludes the result from being an anomaly from coarse gold, such as a nugget. This gold was recovered from black carbonaceous silt with very little gravel. Three other samples returned between 500 – 650 mg/m³.

A second phase drill program was completed at **Shepherds Flat** with the completion of 45 drill holes and a total of 558m drilled. The average wash grade was 452 mg/m³ at a depth of 14m with an average thickness of 4.5m.

2012 – Q2 Update

Drilling and pitting efforts on placer have mainly been around grade control at the placer mine sites in Q2.

Central Volcanic Region ("CVR")

The CVR was the main subject of the airborne magnetic and gravity geophysical surveys in 2005. Subsequently, 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) were drill-tested in an expanding drilling program. Drilling results indicated the presence of epithermal gold systems with extensive alteration zones being intersected.

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.

Since the Global Financial Crisis ("GFC") struck in 2008, Glass Earth has maintained the permits to these underlying targets to ensure that should funding become more readily available, some of these targets could be advanced. With the GFC continuing, the WKP prospect in the Hauraki Region and the Muirs prospect in the Mamaku/Muirs Region have leapfrogged the CVR targets in prospectivity (as have some others, such as Garibaldi in the Otago Region).

The permit rentals over these targets are increasing and without a realistic expectation of funding becoming available in the near term, management has reluctantly relinquished these permits in the CVR. The accumulated exploration expenditures associated with these targets/permits have been written off to the Statement of Comprehensive Income for the Q2 2012 quarter.

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.

Summary of Quarterly Results

Quarterly results for the past eight quarters ending June 30, 2012 are as follows:

\$000s	2012		2011				2010	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Cash	1,579	2,369	3,614	4,579	2,486	3,801	3,981	1,322
Working capital	165	121	3,399	4,099	2,487	3,437	3,131	1,317
Total assets	16,674	22,722	19,480	20,058	17,729	18,192	17,809	14,428
(Loss) for period	(7,260)	(1,236)	(758)	(670)	(262)	(61)	(335)	(266)
Loss per share (cents)	(10.42)	(1.86)	(1.23)	(1.11)	(0.44)	(0.10)	(0.9)	(0.6)
Mineral exploration & Acquisition	842	3,992	630	669	614	481	530	189
Cash flow from financing	2,309	-	(37)	2,970	-	362	3,364	-

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 are undertaken and write-offs and provisions are expensed to the Consolidated Statement of Comprehensive Income.

Exploration Expenditures

Mineral exploration costs form the bulk of the Company's expenditures together with placer mining development costs. Exploration activities have included drilling at WKP, 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.

The significant write-off of capitalized exploration expenditures in this Q2 quarter are discussed in some depth below.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

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

	Quarters Ending			
	Sep 30, 2011	Dec 31, 2011	Mar 31, 2012	Jun 30, 2012
Opening balance	14,107	14,449	14,711	18,443
Geological consulting, mapping and modeling	346	265	265	315
License rentals	75	85	91	21
Drilling	248	280	288	484
Acquisition of placer activities	-	-	3,348	22
Write down of Mineral Properties	(327)	(368)	(260)	(6,330)
Closing balance	14,449	14,711	18,443	12,955

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

Project	Opening Balance	Expenditure to Jun 30, 2012	Impairment to Jun 30, 2012	Acquisition to Jun 30, 2012	Closing Balance
Otago Region	6,561	550	(2,144)	3,370	8,347
Hauraki Region	1,533	402	-	-	1,935
Waihi West Joint Venture	103	-	-	-	103
Mamaku Region	2,839	485	(754)	-	2,570
Central Volcanic Region	3,675	17	(3,692)	-	-
	14,711	1,464	(6,590)	3,370	12,955

Permit and Ground Relinquishment in July 2012 and Associated Accumulated Exploration Expenditure Write-offs in Q2

The reassessment of permit/target tenure mentioned in the sections above has had a significant effect on the financial results for the quarter and year. Management considers that this large write-off of accumulated exploration expenditures – mainly from the 2005-2008 era, deserves a full explanation as set out below:

1. Since it listed in 2005, GEGL has followed a particular, science based strategy in its exploration endeavors. That strategy was articulated at the time and has formed part of its MD&A comment since.
2. At this juncture and in view of the significant write-off of accumulated exploration expenditures this quarter, it is worthwhile to reflect on that strategy and the effect that the continuing Global Financial Crisis ("GFC") has had on it.
3. In essence the strategy was to embark on the following steps:

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

- a. Peg very large gold areas (>10,000km²) with significant potential for, and history of, gold deposits;
 - b. Create single multi-dimensional data base from all existing, relevant knowledge sources – for each very large area;
 - c. Ascertain significant knowledge gaps in the existing data;
 - d. Obtain such data sets (eg: airborne remote sensing geophysical surveys);
 - e. Interrogate the new database and establish preliminary targets areas of interest;
 - f. Use a ranking process to prioritize on-the-ground preliminary prospecting;
 - g. Refine the target base to establish drilling targets;
 - h. Drill those (ranked) targets;
 - i. Further drilling based on results, leading to a discovery; resources; reserves etc.
4. This was a newer style of rigorous, science based exploration over regions, rather than the historical method of prospecting/drilling small, discrete areas of interest.
5. Steps 3a to 3g were carried out in 2004-2006 in the Central Volcanic/Hauraki Regions of the North Island and in 2006-2008 for the Otago Region of the South Island both being in New Zealand).
6. Some encouraging drilling (Step 3h) was undertaken in 2006/2007 in the Central Volcanic Region but as momentum was gathering for follow-up drilling there, and in the Otago Region.....the GFC arrived. The significance of this event was that funding, the life blood of exploration companies, dried up completely for 18 months and has never fully recovered.
7. Nonetheless, GEGL has continued to successfully raise funding from time to time but has been constrained in fully exploiting the targets and ground it held. In 2009, GEGL developed 3 strategies to accommodate this changed financial landscape, being:
 - a. **Target Retention:** To hold for as long as it was able, the ground containing its better ranked targets;
 - b. **Drilling;** To drill those targets that it could fund, from time to time; and
 - c. **Funding:** To establish placer mining operations as a source of cash generation.
8. The current status in respect of those strategies is:

a. Target Retention

The New Zealand system of permits allows for large areas of ground to be held relatively cheaply as Prospecting Permits for up to 4 years, with the next stage of permit holding (Exploration Permits) incurring a one hundred fold increase in rental costs. This increase, then more than doubles at the next stage. Under more normal circumstances, this is not an issue, as significant exploration progress can be made during the tenure periods and ground progressively relinquished – just retaining the target area.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

However, the GFC constraint on funding has not allowed GEGL to progress all its targets as rapidly as it would have wished. Available funding has been directed to drilling programs at WKP (Hauraki JV with Newmont); Muirs and 'scout' drilling at various other targets. As a result, some previously encouraging targets (mainly in the Central Volcanic Region) have been leap-frogged in terms of ranking and have not qualified for such funding as was available.

It appears that the GFC is not a temporary passing phase and therefore, there comes a time when the holding costs of targets becomes too high relative to the probability that sufficient funding will become available to test them further.

Such is the case for the Central Volcanic Region targets, which account for C\$3.7m of the \$6.6m in write-offs for the quarter. Similar culling of lesser ranked targets have been reluctantly made in respect of Otago (\$1.9m) and Muirs south (\$0.7m).

This culling exercise allows the Company to move forward and focus on the following key targets:

- **WKP** (35% GEGL; 65% Newmont) – currently subject to a long term drilling campaign, latest assays awaited;
- **Muir**s (100% GEGL) – drilling campaign just finished, latest assays awaited;
- **Ophir** (50% GEGL) – capex and opex estimates being refined for a boutique, gravity recovery based mining proposal;
- **Sparrowhawk/Garibaldi** (100% GEGL) – drilling awaiting funding.

In addition, the Company continues to hold valuable ground in Otago, including that held for placer mining purposes.

b. Drilling

Drilling from late 2010 to now has encompassed campaigns at WKP, Muirs and Ophir and scout drilling at other prospects. Channel sampling has also identified Garibaldi as a prospect requiring drilling.

c. Funding

Placer mining operations commenced in December 2009, under a 50/50 joint venture with an experienced operator. Although operations were profitable, the scale of operations showed no signs of increasing and in March 2012, GEGL acquired the 50% it did not own and immediately moved to increase from one site to three sites.

This has proved to be challenging, in the middle of the southern winter in Otago, but the two new sites have been established with mining and processing functions now bedded in. Site set-up and all commissioning costs for both sites have been expensed as incurred so a significant improvement in placer cash generation is anticipated. Gold production has very recently approached expectations and spring is around the corner in New Zealand.

Placer mining should be capable of generating significant cash flow to meet the Company's G&A expenditures and to contribute to exploration expenditures.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

Drilling campaigns will likely still require some additional funding and this is a focus of management.

Revenue from Mining Operations

The Company received the following revenues from mining operations:-

	Quarters Ending			
	Sep 30, 2011	Dec 31, 2011	Mar 31, 2012	Jun 30, 2012
Gold sales	180	145	167	349
Equipment rental	-	-	-	-
Total	176	180	167	349

Mining operations took a major step forward with the establishment of two additional mining units at Drybread in Otago, successively in May and June. The southern winter has made it more difficult for staff undertaking this exercise but both of these operations are now fully operational. Site set-up costs and commissioning costs (which were lengthier than planned for) have been written off as incurred. This, combined with lower productivity (expected in the winter) and amortization of exploration costs, has provided a loss for the quarter. Further, lower losses have been incurred in July with improvement occurring in August.

Significant Expenses of a Corporate Nature

The net loss for the six months ended June 30, 2012 was \$8,496,000 (2011: \$323,000).

Significant expense categories are discussed as per below:

Expenditure	2012	2011	Note
General and administration	136	119	1
Professional fees	63	15	2
Net salaries (after exploration charges)	125	114	3
Investor relations	279	146	4
Directors fees	-	19	
Consulting fees	24	11	
Registry and Filing	57	46	
Travel and accommodation	27	22	
Placer acquisition-related costs	104	-	5
Depreciation	9	37	
Stock-based compensation	556	20	
Total	1,380	549	

Note

1. General and Administration costs include accounting services (\$67,000), insurance (\$22,000) and New Zealand office costs (\$39,000).

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

2. Professional fees are an agreed overrun of audit fees (\$8,000) and legal fees.
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. In Q1 and Q2, the Company stepped up its Investor Relations program, which covers the Canadian and European investor base (including London). The enduring 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. This level of expenditure is to be reduced considerably, in the current market conditions.
5. The external legal fees and taxation advice costs related to the acquisition of placer activities.

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 June 30, 2012 was \$1,579,000 (June 30 2011: \$2,486,000).

The Company has acquired full control of its placer mining activities in March 2012. Liabilities in relation to the placer acquisition comprise twenty five monthly payments of NZ\$80,000 (C\$66,000) commencing July 1, 2012.

Management and Directors are pursuing several alternatives to ensure funding is available to continue its drilling campaigns. The Company has a history of successive capital raisings (as is usual for an exploration company).

In 2009/2010, in tandem with the approach of limiting overheads, the Company placed significant effort into developing some of 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. The success of these initiatives is crucial to the continuation of the Company's exploration programs.

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".

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.

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

- a) Simon Henderson CEO, received \$106,141 for the six months ended June 30, 2012 (six months ended June 30, 2011: \$84,869). Use of a motor vehicle, life and health insurance benefits are also provided.
- b) Peter Liddle CFO, received \$85,729 for the six months ended June 30, 2012 (six months ended June 30, 2011: \$69,440). Use of a motor vehicle, life and health insurance benefits are also provided.

Other Matters

Use of Financial Instruments

For the six months to June 30, 2012, 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 June 30, 2012 GENZL had capital commitments of \$119,000. (2011: \$426,000).
- 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 \$34,000 that fall due in 2012 and \$66,000 in subsequent years (2011: \$10,000).
- 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 programs relative to available funding and prioritization of targets by seeking to amend or defer certain work programs and to also reduce areas covered by permits.
- f) Liabilities related to the placer mining acquisition (refer to comments in the Financial section of the Quarterly Overview at the front of this MD&A) have been accrued in the Company's Statement of Financial Position as at June 30 2012.

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 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

There were no material events subsequent to balance date that would affect the interpretation of the financial statements or performance of the company.

OUTLOOK

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.

The Company's efforts in this regard will depend heavily on how it manages its funding requirements, either through joint venture, placer cash generation or equity fund raising.

For additional information, please refer to the Company's website at www.glassearthlimited.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

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

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.

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,

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

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

Glass Earth Gold Limited
Management's Discussion and Analysis
For the six months ended June 30, 2012

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.

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 August 28, 2012, the following items were issued and outstanding:

- 80,136,343 common shares;
- 5,078,000 common share purchase options with an average exercise price of \$0.3652 per share and expiry dates of between July 17, 2012 and February 9, 2017;
- 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;
- 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;
- 340,900 unlisted common share purchase warrants with an exercise price of \$0.80 per share and an expiry date of October 5, 2013 and
- 12,039,400 unlisted common share purchase warrants with an exercise price of \$0.35 per share and an expiry date of June 21, 2014.

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.