

GLASS EARTH GOLD LIMITED

(incorporated in Canada)

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(Stated in Canadian Dollars)

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CANADIAN DECLARATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

Simon Henderson

President and Chief Executive Officer

Peter Liddle

Chief Financial Officer

April 11, 2013

NEW ZEALAND DECLARATION

DIRECTORS' DECLARATION

In the opinion of the directors of Glass Earth Gold Limited, the consolidated financial statements and notes, on pages 7 to 42:

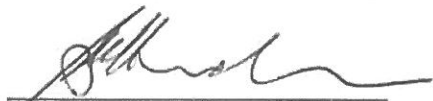
- materially comply with both International Financial Reporting Standards ("IFRS") and generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and the group as at December 31, 2012 and the results of their operations and cash flows for the year ended on that date, and
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

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

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

The directors are pleased to present the financial statements for Glass Earth Gold Limited for the year ended December 31, 2012.

For and on behalf of the Board of Directors



S M Henderson

Director

Date: 11 April 2013



P Liddle

Director

Date: 11 April 2013



INDEPENDENT AUDITORS' REPORT BASED ON INTERNATIONAL FINANCIAL REPORTING STANDARDS

To the Shareholders of Glass Earth Gold Limited

We have audited the accompanying consolidated financial statements of Glass Earth Gold Limited, which comprise the consolidated statement of financial position as at December 31 2012 and 2011, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Glass Earth Gold Limited as at December 31 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 in the consolidated financial statements which indicates that Glass Earth Gold Limited's ability to continue as a going concern is dependent upon the company and group's ability to raise additional financing, the preservation of its interest in the mineral properties, the discovery of commercially recoverable reserves, the achievement of profitable operations, and / or the company and the group's ability to dispose of its interests on an advantageous basis and controlling expenditure. These conditions, along with other matters as set forth in Note 3 in the consolidated financial statements indicate the existence of a material uncertainty that may cast significant doubt about Glass Earth Gold Limited's ability to continue as a going concern.

11 April 2013
Auckland, New Zealand



Independent auditor's report based on New Zealand Generally Accepted Accounting Practice

To the shareholders of Glass Earth Gold Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Glass Earth Gold Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 7 to 42. The financial statements comprise the statements of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

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

Auditor's responsibility

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

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

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

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



Opinion

In our opinion the financial statements on pages 7 to 42:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 December 2012 and of the financial performance and cash flows of the company and the group for the year then ended.

Emphasis of matter

We draw attention to Note 3 to the financial statements which indicates that the group incurred a net loss of \$11,135,000 during the year ended 31 December 2012, has an accumulated deficit \$23,847,000 as at that date, and that the company and group's ability to continue as a going concern is dependent upon the company and the group's ability to raise additional financing, the preservation of its interest in the mineral properties, the discovery of commercially recoverable reserves, the achievement of profitable operations, and / or the company and the group's ability to dispose of its interests on an advantageous basis and controlling expenditure. These conditions, along with other matters as set out in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the company and the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on other legal and regulatory requirements

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

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

11 April 2013

Auckland

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

	Parent & Subsidiaries	Parent & Subsidiaries	Parent	Parent
	Group	Group	Company	Company
As at December 31	2012	2011	2012	2011
	\$	\$	\$	\$
ASSETS				
Current Assets				
Cash and cash equivalents (Note 6)	2,621	3,614	771	19
Trade and other receivable (Note 7)	248	236	-	-
Prepayments	45	100	4	40
Total current assets	2,914	3,950	775	59
Non-current assets				
Mineral properties (Note 8)	13,062	14,711	-	-
Property and equipment (Note 9)	1,918	819	-	-
Investments (Note 23)	-	-	42	-
Investment in subsidiaries (Note 16d)	-	-	8,100	4,993
Advances to subsidiaries (Note 16e)	-	-	7,664	13,774
Total non-current assets	14,980	15,530	15,806	18,767
Total assets	17,894	19,480	16,581	18,826
LIABILITIES				
Current Liabilities				
Trade and other payables (Note 10)	1,719	483	854	6
Accrued liabilities	209	68	-	-
Subscriptions for equity received in advance (Note 24)	270	-	270	-
Total current liabilities	2,198	551	1,124	6
Non-current liabilities				
Term liability (Note 10)	459	-	459	-
Deferred tax liability (Note 17)	239	72	-	-
Total non-current liabilities	698	72	459	6
Total liabilities	2,896	623	1,583	6
EQUITY				
Common Shares (Note 11(a))	28,976	24,442	33,600	29,066
Share Purchase Warrants (Note 11(b))	3,367	2,318	3,367	2,318
Contributed Surplus (Note 11(d))	6,502	4,809	6,502	4,809
Deficit Accumulated through Development Stage	(23,847)	(12,712)	(28,471)	(17,373)
Total equity	14,998	18,857	14,998	18,820
Total liabilities and equity	17,894	19,480	16,581	18,826

APPROVED ON BEHALF OF THE BOARD

"signed" Simon Henderson

Simon Henderson, Director

"signed" Peter Liddle

Peter Liddle, Director

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

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

	Common Shares	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit accumulated during the development stage	Shareholders' equity total
	#	\$	\$	\$	\$	\$
Balance - January 1, 2011	56,471,359	21,314	4,727	1,608	(10,998)	16,651
-Issuance of shares on private placement, net of issuance costs of \$375,000	8,857,850	3,612	-	-	-	3,612
- Valuation of warrants issued on private placement	-	(749)	-	749	-	-
Exercise of warrants	495,200	183	39	(39)	-	183
Exercise of stock options	338,000	82	-	-	-	82
- Stock option compensation expense	-	-	43	-	-	43
Total comprehensive loss for the period	-	-	-	-	(1,714)	(1,714)
Balance - December 31, 2011	66,162,409	24,442	4,809	2,318	(12,712)	18,857
-Issuance of shares pursuant to acquisition (Note 22)	2,188,184	821	-	-	-	821
Issuance of shares on private placement, net of issuance costs of \$377,000 (Note 11)	35,430,500	5,835	-	-	-	5,835
- Valuation of warrants issued on private placement	-	(2,122)	-	2,122	-	-
- Stock option compensation expense	-	-	620	-	-	620
-Expiration of warrants	-	-	1,073	(1,073)	-	-
Total comprehensive loss for the period	-	-	-	-	(11,135)	(11,135)
Balance - December 31, 2012	103,781,093	28,976	6,502	3,367	(23,847)	14,998

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

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

	Common Shares	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit accumulated during the development stage	Shareholders' equity total
	#	\$	\$	\$	\$	\$
Balance – January 1, 2011	56,471,359	25,938	4,727	1,608	(14,814)	17,459
-Issuance of shares on private placement, net of issuance costs of \$375,000	8,857,850	3,612	-	-	-	3,612
- Valuation of warrants issued on private placement	-	(749)	-	749	-	-
Exercise of warrants	495,200	183	39	(39)	-	183
Exercise of stock options	338,000	82	-	-	-	82
- Stock option compensation expense	-	-	43	-	-	43
Total comprehensive loss for the period	-	-	-	-	(2,559)	(2,559)
Balance – December 31, 2011	66,162,409	29,066	4,809	2,318	(17,373)	18,820
-Issuance of shares pursuant to acquisition (Note 22)	2,188,184	821	-	-	-	821
Issuance of shares on private placement, net of issuance costs of \$377,000 (Note 11)	35,430,500	5,835	-	-	-	5,835
- Valuation of warrants issued on private placement	-	(2,122)	-	2,122	-	-
- Stock option compensation expense	-	-	620	-	-	620
-Expiration of warrants	-	-	1,073	(1,073)	-	-
Total comprehensive loss for the period	-	-	-	-	(11,098)	(11,098)
Balance – December 31, 2012	103,781,093	33,600	6,502	3,367	(28,471)	14,998

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

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

	Parent & Subsidiaries	Parent & Subsidiaries	Parent	Parent
	Group	Group	Company	Company
For the year ended 31 December	2012	2011	2012	2011
	\$	\$	\$	\$
Revenue (Note 12)	2,976	752	-	-
Cost of sales	(4,121)	(523)	-	-
Gross Profit	(1,145)	229	-	-
Administrative and Personnel expenses (Note 13 and 14)	(2,076)	(1,324)	(1,280)	(652)
Impairment of mineral properties (Note 8)	(7,682)	(695)	-	-
Impairment provision on advances to subsidiaries (Note 16(e))	-	-	(9,556)	(1,907)
Impairment of investment in subsidiaries (Note 16)	-	-	(262)	-
Results from operating activities	(10,903)	(1,790)	(11,098)	(2,559)
Finance (expense)/income (Note 15)	(65)	39	-	-
Loss before Income Taxes	(10,968)	(1,751)	(11,098)	(2,559)
Income tax (expense)/recovery (Note 17)	(167)	37	-	-
Net Loss for the year	(11,135)	(1,714)	(11,098)	(2,559)
Total Comprehensive loss for the year	(11,135)	(1,714)	(11,098)	(2,559)
Basic loss per share (Note 11e)	(0.15)	(0.03)	-	-
Diluted loss per share (Note 11e)	(0.15)	(0.03)	-	-

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

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

	Parent & Subsidiaries	Parent & Subsidiaries	Parent	Parent
	Group	Group	Company	Company
For the year ended 31 December	2012	2011	2012	2011
	\$	\$	\$	\$
Cash flows from (used in) :				
Operating Activities				
Interest received	13	21	-	-
Cash receipts from customers	2,921	694	-	-
Payments to suppliers and employees	(4,640)	(1,649)	(583)	(639)
Net cash used in Operating Activities (Note 21)	(1,706)	(934)	(583)	(639)
Financing Activities				
Issuance of common shares, for cash	6,482	3,780	6,482	3,780
Share issue costs *	(361)	(485)	(361)	(485)
Net cash provided from Financing Activities	6,121	3,295	6,121	3,295
Investing Activities				
Expenditures on mineral properties	(2,861)	(2,432)	-	-
Acquisition of property, equipment and intangibles	(488)	(296)	-	-
Acquisition of placer activities (Note 22)	(2,059)	-	(1,361)	-
Legal subsidiary advances	-	-	(3,425)	(4,041)
Net cash used in Investing Activities	(5,408)	(2,728)	(4,786)	(4,041)
Net increase/(decrease) in cash and cash equivalents	(993)	(367)	752	(1,385)
Cash and cash equivalents - beginning of year	3,614	3,981	19	1,404
Cash and cash equivalents - end of year	2,621	3,614	771	19

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

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

1. Reporting entity

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

The Company's registered offices are:

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

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

Financial statements for the Company and consolidated group financial statements are presented. The consolidated group financial statements of Glass Earth Gold Limited as at and for the year ended December 31, 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

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

2. Basis of Preparation

(a) Statement of Compliance

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

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

The financial statements were approved by the Board of Directors on April 11, 2013.

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

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

Significant areas where management estimates and judgments are applied are:

- the recoverability of exploration expenditures on mineral properties;
- the allocation of excess purchase consideration in a business combination;
- estimates of the portion of placer resources considered to be probable of economic extraction, which are used in the calculation of depreciation expense and the timing of payments related to the environmental rehabilitation provision;
- the valuation of tax accounts;
- share based payments; and
- going concern

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

3. Going Concern

These financial statements have been prepared on a going concern basis. For the year ended December 31, 2012, the Group had a net loss of \$11,135,000 (2011: \$1,714,000) with an accumulated deficit at December 31, 2012 of \$23,847,000 (2011: \$12,712,000).

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

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

If the Company and Group were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the fact that assets may need to be realised at amounts other than those at which they are currently recorded in the statement of financial position (in particular mineral properties), and the Company and Group may have to provide for further liabilities that may arise. In addition, the Company and Group may have to reclassify non-current assets and non-current liabilities as current assets and liabilities.

During the year the Company and Group has completed fundraising exercises that have raised \$6.2 million before issuance costs. The Company and Group is planning to meet future expenditures and obligations by raising funds through public offerings, private placements or by farm-outs of mineral properties and by cash generation from placer (alluvial) gold mining operations. It is not possible to predict whether these efforts will be successful or whether the Company and Group will attain profitable levels of operation.

4. Significant Accounting Policies

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

a) Basis of Consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The Group recognises the fair value of all identifiable assets, liabilities and contingent liabilities of the acquired business.

Subsidiaries

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

Investments in jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Transactions eliminated on consolidation

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

b) Mineral Properties

Direct property acquisition costs, holding costs, field exploration and field supervisory costs relating to specific properties are capitalized as mineral properties and deferred until the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge to profit and loss will be made.

Costs include the cash consideration paid and the fair market value of the shares issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Group are recorded in the accounts at such time as the payments are made. Costs incurred for administration and general exploration that are not project specific, are charged to profit and loss. The recorded amounts for acquisition costs of properties and their related capitalized exploration expenses represent actual expenditures incurred and are not intended to reflect present or future values.

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

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

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

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

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

GLASS EARTH GOLD LIMITED
(A Development Stage Company)
Notes to Financial Statements
(Tabular amounts in thousands of Canadian dollars)
For the year ended December 31, 2012

Mining assets

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

c) Property and Equipment

Recognition and measurement

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

Subsequent Costs

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

Depreciation

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

Computer Equipment	3 years
Mining Equipment	4 to 10 years
Motor Vehicles	5 years
Office Furniture & Equipment	10 years

d) Intangible assets

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

e) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

f) Financial instruments

The Company classified its cash and cash equivalents and amounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The carrying amounts related to Trade and other receivables, Trade and other payables and Accrued Liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments.

g) Leased assets

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

h) Mineral Property Impairment

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

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

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

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

i) Income Taxes

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

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

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

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

j) Investment in Subsidiaries

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

k) Joint Ventures

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

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

l) Payables

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

m) Common Shares

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

n) Employee benefits

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

o) Stock-based Compensation

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

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

The Company's stock-based compensation plan is described in Note 11(c).

p) Earnings per Share

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

Determination of fair value

Share based payment transactions

The fair value of employee stock options are measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historic volatility adjusted for changes expected due to publicly available

information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

q) Revenue

Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns and allowances. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer and recovery of the consideration is probable.

r) Interest

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

s) Farm-In Expenditure

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

t) Segment Reporting

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

u) Cash and cash equivalents

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

v) Changes in Accounting Policies

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

w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2012 and have not been applied in preparing these financial statements:

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

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

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

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

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

IAS 19, (amended 2011) Employee Benefits, prescribes the accounting and disclosure for employee benefits. The amended IAS 19 is effective for accounting periods beginning on or after January 1, 2013. The group has not yet determined the potential impact of this standard.

IAS 27, (2011) Separate Financial Statements, carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The group has not yet determined the potential impact of the amendment.

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IAS 28, (2011) Investments in Associates, prescribes the accounting for investments in associates and sets out the requirements for the application of the equity accounting method when accounting for investments in associates and joint ventures. The amended IAS 28 is effective for accounting periods beginning on or after January 1, 2013. The group has not yet determined the potential impact of the amendment.

5. Segment Information

Identification of reportable segments

The group has identified its operating segments based on the internal reports reviewed and used by the Company's President and Chief Executive Officer, (the Company's chief operating decision maker), in assessing performance and in determining the allocation of resources.

Segments

- Gold Exploration

Is primarily focused on the location and definition of a large hard-rock gold deposit with ancillary placer/alluvial gold exploration to provide placer mining opportunities.

- Placer (Alluvial) Gold Mining

The group operates gravity separation Gold Recovery Units in conjunction with a mining fleet to recover gold from shallow open-pit/slot mined deposits.

2012	<u>Exploration</u>	<u>Mining</u>	<u>Inter-Segment/ Unallocated</u>	<u>Total</u>
Revenue				
Gold sales	-	2,976	-	2,976
Intersegment sales	370	-	(370)	-
Total Segment Revenue	370	2,976	(370)	2,976
Expenses				
Cost of Sales	-	(3,574)	-	(3,574)
Exploration expenses	(777)	-	-	(777)
Amortisation (Note 8)	-	(401)	-	(401)
Depreciation (Note 9)	(19)	(146)	-	(165)
Impairment expense	(7,682)	-	-	(7,682)
Unallocated Company costs (Note 13 and 14)	-	-	(1,280)	(1,280)
Intersegment cost of sales	-	(370)	370	-
Total expenses	(8,478)	(4,491)	(910)	(13,879)
Results from operating activities	(8,108)	(1,515)	(1,280)	(10,903)
Finance Income/Expense				
Interest received (Note 15)	10	3	-	13

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Foreign exchange gain/(loss) (Note 15)	-	-	(78)	(78)
	10	3	(78)	(65)
Loss before Income Tax	(8,098)	(1,512)	(1,358)	(10,968)
Assets	15,093	2,026	775	17,894
Liabilities	602	1,722	572	2,896

2011	Exploration	Mining	Inter-Segment/ Unallocated	Total
Revenue				
Gold sales	-	752	-	752
Intersegment sales	45	-	(45)	-
Total Segment Revenue	45	752	(45)	752
Expenses				
Cost of Sales	-	(483)	-	(483)
Exploration expenses	(578)	-	-	(578)
Amortisation (Note 8)	-	(40)	-	(40)
Depreciation (Note 9)	(94)	-	-	(94)
Impairment expense	(695)	-	-	(695)
Unallocated Company costs (Note 13 and 14)	-	-	(652)	(652)
Intersegment cost of sales	-	(45)	45	-
Total expenses	(1,367)	(568)	(607)	(2,542)
Results from operating activities	(1,322)	184	(652)	(1,790)
Finance Income				
Interest received (Note 15)	21	-	-	21
Foreign exchange gain/(loss) (Note 15)	-	-	18	18
	21	-	18	39
Loss before Income Tax	(1,301)	184	(634)	(1,751)
Assets	18,733	688	59	19,480
Liabilities	587	30	6	623

Major Customer

All gold is sold to a major refiner in New Zealand.

Geographical Information

The Company only operates in New Zealand.

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6. Cash and cash equivalents

	Group	Group	Company	Company
	2012	2011	2012	2011
	\$	\$	\$	\$
Bank balances	1,591	3,413	200	-
Call deposits	459	182	-	-
Solicitor's trust account	571	19	571	19
	<u>2,621</u>	<u>3,614</u>	<u>771</u>	<u>19</u>

7. Trade and other receivables

	Group	Group	Company	Company
	2012	2011	2012	2011
	\$	\$	\$	\$
Trade receivables	24	44	-	-
Other receivables	224	192	-	-
	<u>248</u>	<u>236</u>	<u>-</u>	<u>-</u>

8. Mineral Properties

	2012	2011
	\$	\$
Balance - beginning of period	14,711	13,012
Expenditure on Projects:		
Geological consulting, mapping and modeling	1,046	1,032
License rental	186	216
Drilling	1,789	1,186
Rehabilitation provision	65	-
Acquisition of placer activities (Note 22)	3,348	-
Total project expenditure for the period	6,434	2,434
Write off of Mineral Properties	(6,679)	(695)
Impairment	(1,003)	-
Amortisation	(401)	(40)
Balance - end of year	<u><u>13,062</u></u>	<u><u>14,711</u></u>

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

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Region	Opening Balance January 1, 2012	Expenditure to December 31, 2012	Amortisation to December 31, 2012*	Impairment & Provisions to December, 31, 2012	Acquisition to December 31, 2012 (Note 22)	Closing Balance December 31, 2012
Hard Rock	\$	\$	\$	\$	\$	\$
Otago	5,073	287	-	(2,665)	-	2,695
Hauraki	1,533	1,313	-	-	-	2,846
Waihi West	103	-	-	-	-	103
Mamaku - Muirs	2,839	674	-	(754)	-	2,759
Central Volcanic	3,675	17	-	(3,692)	-	-
Total Hard Rock	13,223	2,291	-	(7,111)	-	8,403
Placer						
Otago	1,488	795	(401)	(571)	3,348	4,659
	14,711	3,086	(401)	(7,682)	3,348	13,062

*The amortisation expense is included in cost of sales at December 31, 2012

Region	Opening Balance January 1, 2011	Expenditure to December 31, 2011	Amortisation to December 31, 2011	Impairment to December 31, 2011	Closing Balance December 31, 2011
Hard Rock	\$	\$	\$	\$	\$
Otago	4,415	682	-	(24)	5,073
Hauraki	1,140	690	-	(297)	1,533
Waihi West	103	-	-	-	103
Mamaku - Muirs	2,335	504	-	-	2,839
Central Volcanic	3,902	33	-	(260)	3,675
Total Hard Rock	11,895	1,909	-	(581)	13,223
Placer					
Otago	1,117	525	(40)	(114)	1,488
	13,012	2,434	(40)	(695)	14,711

A summary of joint ventures is listed below:-

- Glass Earth has a 90% interest in a joint venture with New Zealand Minerals Limited, over their combined Otago Region tenement portfolio.
- Glass Earth has a 70% interest in a joint venture with Aurora Minerals Limited over the area covered by the former Prospecting Permit 39-267 (now subsumed into subsequent permits).
- Glass Earth has earned a 50% interest in a joint venture with Ophir Gold Limited to facilitate exploration and mining on their combined permits in an area of central Otago known as Ophir. Glass Earth has made a full provision in 2012 against accumulated exploration expenditures for this project.
- The Company has 2 joint ventures with Newmont Mining Corp ("Newmont"). Newmont has earned a 65% equity interest in each of 2 areas of the Hauraki Region (named Northern and Central).

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In respect to Waihi West, Glass Earth has agreed to a further two year extension to the expenditure period out to March 31 2013. As at December 31, 2012, Newmont has expended approximately 71% of the exploration funds to earn the initial 60% equity.

Write down and Impairment of Mineral Properties

Glass Earth had continued to hold a large portfolio of targets through the continuing Global Financial Crisis. The passage of time has resulted in an exponential increase in New Zealand Government permit rental fees, to the point where some rationalisation of the portfolio was necessary. Several targets had significant accumulated exploration expenditures attached to them, but did not qualify for retention compared to newer and more prospective targets.

A review of targets led to the relinquishment of ground containing some lesser ranked targets. Write offs of exploration expenditures this year, totalled \$6,679,000. (December 2011: \$695,000). An impairment of \$1,003,000 has also been made this year (2011: Nil). (refer Note 4 b))

9. Property and Equipment

Group	Computer Equipment	Motor Vehicles	Mining Equipment	Other Assets	Total
Cost	\$	\$	\$	\$	\$
Balance as at January 1, 2011	213	110	562	59	944
Additions	15	19	261	1	296
Disposals	(124)	-	-	(1)	(125)
Balance as at December 31, 2011	104	129	823	59	1,115
Additions	2	-	516	8	526
Additions -Placer mining note 22	-	-	738	-	738
Disposals	-	-	-	-	-
Balance as at December 31, 2012	106	129	2,077	67	2,379
Accumulated Depreciation					
Balance as at January 1, 2011	206	53	14	54	327
Depreciation for the year	6	20	66	2	94
Disposals	(124)	-	-	(1)	(125)
Balance as at December 31, 2011	88	73	80	55	296
Depreciation for the year	7	20	136	2	165
Disposals	-	-	-	-	-
Balance as at December 31, 2012	95	93	216	58	461
Carrying amounts					
At December 31, 2010	7	57	548	5	617
At December 31, 2011	16	56	743	4	819
At December 31, 2012	11	36	1,861	10	1,918

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Net carrying amount of Intangible assets (computer software), of \$2,000 has been included in Computer Equipment. (2011: \$2,000)

10. Trade and other payables

	Group 2012	Group 2011	Company 2012	Company 2011
	\$	\$	\$	\$
Trade payables	606	444	-	-
Other payables	322	39	63	6
Payable re placer acquisition (Note 22)	791	-	791	-
Current Payables	1,719	483	854	6

Non-Current Liabilities

Payable re placer acquisition

(Note 22)

Non-Current Payables

459	-	459	-
459	-	459	-

11. Shareholders' Equity

a) Common Shares

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

Issued and Outstanding:

	Number of Common Shares #	Amount \$
Outstanding January 1, 2011	56,471,359	21,314
Issued pursuant to private placement	3,538,666	1,062
Exercise of warrants	495,200	183
Exercise of stock options	338,000	82
Issued pursuant to private placement	4,717,184	2,594
Issued pursuant to private placement	602,000	331
Share Purchase Warrant Valuation (Note 11(b))	-	(658)
Finders' fee - compensation warrants issued	-	(91)
Finders' fee - cash paid	-	(284)
Share issue costs	-	(91)
Outstanding December 31, 2011	66,162,409	24,442
Issued pursuant to purchase of placer mining companies (i)	2,188,184	821
Issued pursuant to private placement (ii)	11,785,750	2,357
Issued pursuant to private placement (iii)	1,800,000	360

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Issued pursuant to private placement (iv)	18,501,000	2,960
Issued pursuant to private placement (v)	3,343,750	535
Share Purchase Warrant Valuation (Note 11(b))	-	(2,026)
Finders' fee – compensation warrants issued	-	(96)
Finders' fee – cash paid	-	(315)
Share issue costs	-	(62)
Outstanding December 31, 2012	103,781,093	28,976

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

- (i) On March 19, 2012, 2,188,184 common shares were issued for 37.5 cents per share in part settlement of the acquisition of Goldmines New Zealand Limited as well as the remaining 50% of Dunstan Mining Limited. (Refer to Note 22)
- (ii) On June 21, 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.
In connection with this private placement, the Company paid finders' fees of \$51,000 and granted 253,650 non-transferable finders' warrants to the finders. Each warrant entitles the holder to purchase one common share at a price of 35 cents per share for a period of two years following the date of issue of the Units.
- (iii) On October 16, 2012, 1,800,000 common shares were issued for 20 cents per Unit, each Unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of 35 cents per share for a period of two years following the date of issue of the Units.
In connection with this private placement, the Company paid finders' fees of \$21,600 and granted 108,000 non-transferable finders' warrants to the finders. Each warrant entitles the holder to purchase one common share at a price of 35 cents per share, exercisable until October 16, 2014.
All the above securities issued pursuant to the private placement were subject to a hold period and could not be traded until February 17, 2013.
- (iv) On December 12, 2012, 18,501,000 common shares were issued for 16 cents per Unit, each Unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of 25 cents per share for a period of two years following the date of issue of the Units.

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In connection with this private placement, the Company paid finders' fees of \$195,000 and granted 1,218,070 non-transferable finders' warrants to the finders. Each warrant entitles the holder to purchase one common share at a price of 25 cents per share, exercisable until December 12, 2014.

All the above securities issued pursuant to the private placement are subject to a hold period and may not be traded until April 12, 2013.

- (v) On December 28, 2012, 3,343,750 common shares were issued for 16 cents per Unit, each Unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of 25 cents per share for a period of two years following the date of issue of the Units.

In connection with this private placement, the Company paid finders' fees of \$23,450 and granted 146,562 non-transferable finders' warrants to the finders. Each warrant entitles the holder to purchase one common share at a price of 25 cents per share, exercisable until December 28, 2014.

All the above securities issued pursuant to the private placement are subject to a hold period and may not be traded until April 28, 2013.

b) Share Purchase Warrants

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

	Number of Warrants #	Weighted Average Exercise Price \$ per share	Fair Value upon issue \$	Weighted Average Fair Value upon issue \$ per share
Balance January 1, 2011	21,687,730	0.40	1,608	0.070
Granted - January, 2011	2,052,426	0.50	185	0.090
Granted - September, 2011	2,665,949	0.80	506	0.190
Granted - October, 2011	340,900	0.80	58	0.170
Exercised	(495,200)	0.37	(39)	-
Expired	-	-	-	-
Balance December 31, 2011	26,251,805	0.45	2,318	0.090
Granted - June, 2012	12,039,400	0.35	744	0.062
Granted - October, 2012	1,908,000	0.35	220	0.115
Granted - December 12, 2012	19,719,070	0.25	966	0.049
Granted - December 28, 2012	3,490,312	0.25	192	0.055
Expired	(14,750,380)	0.36	(1,073)	-
Exercised	-	-	-	-
Balance December 31, 2012	48,658,207	0.36	3,367	0.069

Summary of outstanding warrants at December 31, 2012:

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Expiry Date	Exercise Price \$ per share	Warrants outstanding #	Fair value upon issue \$
January 6, 2013	0.50	260,400	21
January 14, 2013	0.50	22,693	1
September 26, 2013	0.80	2,665,949	506
October 4, 2013	0.80	340,900	58
December 31, 2013	0.50	8,211,483	659
June 21, 2014	0.35	12,039,400	744
October 16, 2014	0.35	1,908,000	220
December 12, 2014	0.25	19,719,070	966
December 28, 2014	0.25	3,490,312	192
		<u>48,658,207</u>	<u>3,367</u>

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

	2012	2011
Risk-free interest rate	1.00% - 1.10%	0.95% - 1.38%
Expected life	2 years	2 years
Expected volatility	75% - 110%	75% - 110%
Expected dividends	-	-

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

c) Stock-Based Compensation

The Company may grant incentive stock options to its officers, directors, employees and consultants, for the purchase of shares of the Company for cash. Stock options are non-transferable. The Board of Directors of the Company determines the exercise price, but it may be no less than the current market price at the time of the grant.

Options have a maximum term of five years and terminate 90 days after the termination of employment or other contracting arrangement of the option holder. Vesting of options may be at the time of granting of the option or over a period as set out in each option agreement. Once approved and vested, options are exercisable at any time until expiry or termination as above.

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

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	Number of Options Issued and Vested #	Weighted Average Exercise Price \$ per share	Weighted Average Fair Value \$ per share
Balance - January 1, 2011	4,626,000	0.53	0.27
Granted	-	-	-
Exercised	(338,000)	-	-
Cancelled/Expired	(1,460,000)	-	-
Balance - December 31, 2011	2,828,000	0.44	0.20
Granted	2,780,000	0.35	0.22
Exercised	-	-	-
Cancelled/Expired	(930,000)	-	-
Outstanding - December 31, 2012	4,678,000	0.33	0.18
Exercisable - December 31, 2012	4,678,000	0.33	0.18

During the year 930,000 options with a weighted average exercise price of \$0.7200 expired unexercised, and no options were exercised. (2011: 1,460,000 options with a weighted average exercise price of \$0.7750 expired unexercised, and 338,000 options with a weighted average exercise price of \$0.2426 were exercised).

The weighted average remaining contractual life of the options is three years and two months as of December 31, 2012. (December 2011: Two years and one months). The range of exercise prices is \$0.21 to \$0.75.

d) Contributed Surplus

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

	2012 \$	2011 \$
Balance, beginning of period	4,809	4,727
Stock-based compensation in the period on		
- Stock options granted / vesting	620	43
Expiration of Share Purchase Warrants	1,073	-
Exercise of Share Purchase Warrants	-	39
Balance, end of period	6,502	4,809

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

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Grant Date	Expiry Date	Number of Options	Exercise Price \$ per share	Amount (*) upon issue \$
Jul 24, 2008	Jul 24, 2013	240,000	0.75	60
Sep 23, 2008	Sep 23, 2013	38,000	0.50	1
Jul 21, 2010	Jul 21, 2013	250,000	0.30	40
Aug 16, 2010	Aug 16, 2015	1,420,000	0.21	132
Feb 10, 2012	Feb 9, 2017	2,730,000	0.35	620
		4,678,000		853

(*) Black-Scholes valuation basis

e) Earnings per share

The calculation of basic and fully diluted earnings per share at December 31, 2012 was based on the loss attributable to ordinary shareholders of \$11,135,000 (2011: \$1,714,000) and a weighted average number of ordinary shares on issue as at the date of these financial statements of 75,558,075 (2011: 61,519,565).

12. Revenue

	Group 2012 \$	Group 2011 \$	Company 2012 \$	Company 2011 \$
Gold sales	2,976	678	-	-
Equipment rental	-	74	-	-
	2,976	752	-	-

13. Administrative expenses

	Group 2012 \$	Group 2011 \$	Company 2012 \$	Company 2011 \$
Auditor's remuneration	93	61	-	-
Consultancy fees	54	28	-	16
Depreciation	19	72	-	-
Directors fees	38	29	38	29
General and administration	219	192	25	44
Investor relations	436	392	436	392
Operating lease expense	37	43	-	-
Professional fees	161	83	52	35
Registry and filing	109	93	109	93
Travel and accommodation	40	42	-	-
	1,206	1,035	660	609

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14. Personnel expenses

	Group 2012	Group 2011	Company 2012	Company 2011
	\$	\$	\$	\$
Wages and salaries	250	246	-	-
Share-based compensation	620	43	620	43
	<u>870</u>	<u>289</u>	<u>620</u>	<u>43</u>

15. Finance income and expense

	Group 2012	Group 2011	Company 2012	Company 2011
	\$	\$	\$	\$
Interest income	13	21	-	-
Foreign exchange (losses)/ gains	(78)	18	-	-
Finance expense	-	-	-	-
Net finance (expense)/income	<u>(65)</u>	<u>39</u>	<u>-</u>	<u>-</u>

16. Related Party Transactions

Related party transactions are in the normal course of business and are measured at the exchange amount, which is the fair value as agreed between management and the related parties.

- a) Simon Henderson (CEO) received \$212,236 for the year (2011: \$187,483). Use of a motor vehicle, life and health insurance benefits are also provided.
- b) Peter Liddle (CFO) received \$171,421 for the year (2011: \$152,479). 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 \$13,125, Paul Jones \$7,500, Justin Cochrane \$10,000 and Adrian Fleming \$7,500. (2011: John Dow \$12,500, Stephen Burns \$5,000, Richard Billingsley \$3,750 and Paul Jones \$7,500.)

d) Group entities

Legal subsidiaries	Country of incorporation	Ownership Interest (%)	
		2012	2011
Glass Earth (New Zealand) Limited	New Zealand	100	100
HPD New Zealand Limited	New Zealand	100	100
Glass Earth Geothermal Limited	New Zealand	100	100
Glass Earth Mining Limited (Formerly Dunstan Mining Limited) (Note 22)	New Zealand	100	50
Goldmines New Zealand Limited (Note 22)	New Zealand	100	0

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e) Advances to subsidiaries

At year end the parent company held an investment in subsidiaries and advances to subsidiaries of CAD 25.3 million, measured on an historical cost basis. The net assets of the group, also measured on an historical cost basis are CAD 15.7 million. This divergence has arisen as the operating subsidiary, GENZL, incurs expenditures and write-downs of its mineral properties accumulated exploration expenditures. As the carrying value of the net assets of the subsidiaries are less than the Parent company's carrying cost an impairment has been recorded in the Parent company's accounts and disclosed in the financial statements as such.

At December 31, 2012, the Parent company records a balance of \$7,644,000 (2011: \$13,774,000) owing by Glass Earth (New Zealand) Limited to the Company and balance of \$20,000 owing by Gold Mines New Zealand Limited to the Company (2011: Nil). The balances represent loans advanced by the Company to fund exploration activities. The loans are non interest bearing and repayable on demand. There is no intent by the Company to demand payment in the next twelve months.

17. Income Taxes

a) Provision for income taxes:

Major items causing the Group's income tax rate to differ from the Canadian statutory tax rate of approximately 28.5% (2011: 28.5%) were as follows:-

	Group 2012	Group 2011	Company 2012	Company 2011
	\$	\$	\$	\$
Loss for the year	(10,968)	(1,751)	(11,098)	(2,559)
Expected income tax recovery at the statutory rate of 28.1% (Canada: 28.5%; New Zealand: 28%) (2011: 28.2%)	(3,077)	(483)	(3,163)	(729)
Foreign exchange (losses)/ gains	241	138	-	-
Stock-based compensation	177	12	177	12
Non deductible expense	-	13	-	13
Exploration write off and impairment	2,151	195	-	-
Impairment provision on loans to subsidiaries	-	-	2,798	543
Tax losses not recognised	508	125	188	161
Income tax (benefit)/expense	-	-	-	-
b) Unrecognised deferred tax assets:				
Tax effect of net operating loss carried forward - Glass Earth Gold Limited	1,167	979	1,167	979
Tax effect of net operating loss carried forward - GENZL	247	276	-	-
Tax losses not recognised	(1,414)	(1,255)	(1,167)	(979)
	-	-	-	-

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The Group has tax operating losses available to be applied against future years' income amounting to \$18 million. In order to record a future income tax benefit, it must be more likely than not that the future tax asset resulting from the tax losses available for carry forward will be realized. Given the Group's classification as a development stage company and uncertainty regarding future profitability, no future income tax benefit is recognized (except as an offset to a deferred tax liability as set out in the note below).

c) Deferred tax

	Group 2012	Group 2011	Company 2012	Company 2011
	\$	\$	\$	\$
Future tax liability on capitalized exploration expenditure	3,657	4,119	-	-
Tax effect of exploration expenditure losses carried forward – GENZL	(3,418)	(4,047)	-	-
Future tax liability on taxable temporary differences	354	-	-	-
Benefit of tax losses not previously recognised	(354)	-	-	-
	<u>239</u>	<u>72</u>	<u>-</u>	<u>-</u>

The future tax liability of \$3,657,000 reflects the future tax that would be payable on the exploration expenditure capitalized for accounting purposes. Available tax losses in respect of exploration expenditure have been offset against this future tax liability. 21% of such tax losses are only available to be offset against future income derived from individual permit areas. There is a shortfall of \$167,000 for the current year which is recognised in the consolidated Statement of Comprehensive Income.

d) Movement in deferred tax

	Group
Capitalised Exploration Expenditure	
Balance January 1, 2011	109
Recognised in (profit) and loss	(37)
Balance December 31, 2011	<u>72</u>
Recognised in (profit) and loss	167
Balance December 31, 2012	<u><u>239</u></u>

18. Financial Risk Factors and Management

Overview

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

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. A summary of the Group's risk exposures as it relates to financial instruments is reflected below:

a) Market Risk

Interest rate risk – The Group held \$2,621,000 in cash and cash equivalents at December 31, 2012. The Group invests cash surplus to its operation in interest bearing accounts held in a major New Zealand chartered bank. The Group periodically assesses the quality of its investment with the bank and is satisfied with the credit rating of the bank.

At reporting date the cash and cash equivalents were the only financial instruments with interest rate risk exposure. The Group's cash is held primarily in interest bearing accounts, the rates of which are not fixed. A 100 basis point change in the interest rate would affect the Company by an annualized amount of interest equal to approximately \$26,210.

Foreign currency risk – The Group's operational activities are all within New Zealand and 95% of all cash transactions are in New Zealand Dollars (NZD). As at December 31, 2012 the Group held 78% of its cash and equivalents in Canadian dollars and 22% in NZD.

b) Credit Risk and Concentrations of Credit Risk

The Group is not exposed to major credit risks attributable to customers. The Group monitors the credit worthiness of its joint venture partners. The Group's cash is held in a major New Zealand chartered bank and the Group has no investments in non-bank asset-backed commercial paper.

c) Liquidity risk

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

d) Financial instrument classification

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

19. Management of Capital

The Group defines the capital that it manages as its shareholder equity. The Group's objectives with respect to managing capital are to safeguard the Group's ability to continue as a going concern so that it can provide future returns to shareholders and benefits for other stakeholders. As at December 31, 2012 total managed capital was \$14,998,000 (2011: \$18,857,000).

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

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

The Group manages its capital structure by performing the following:

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

There were no changes in the Company's approach to capital management during the period ended December 31, 2012. The Company is not subject to externally imposed capital requirements.

20. Commitments and Contingencies

- At December 31, 2012 the Group had no capital commitments (2011: \$223,000)
- GENZL has granted a 2% production royalty to Geoinformatics Exploration Ireland Limited ("GEIL") in respect of any production achieved from the Company's interests on targets identified by GENZL and GEIL in 2005, in regions in the North Island.
- 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.
- In March 2012 the Company acquired two placer mining activities: Goldmines New Zealand Limited and Dunstan Mining Limited. (Refer to note 22). As part of the deferred settlement the vendors have registered a mortgage over the Dunstan Mining Limited, (renamed Glass Earth Mining Limited), shares and assets.

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- e) Under the terms of non-cancelable operating leases, the Group is committed to rental payments as follows:

Group	2012	2011
	\$	\$
Less than one year	73	24
Between one and five years	13	-
	<u>86</u>	<u>24</u>

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

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

	Group 2012	Group 2011	Company 2012	Company 2011
For the year ended December, 31	\$	\$	\$	\$
Net loss for year	(11,135)	(1,714)	(11,098)	(2,559)
Adjustment for non-cash items:				
Depreciation	19	72	-	-
Impairment of Mineral Properties (Note 8)	7,682	695	-	-
Amortisation of Mineral Properties	401	40	-	-
Impairment provision on advances to subsidiaries (Note 16(e))	-	-	9,556	1,907
Impairment of investment in subsidiaries (Note 16(e))	-	-	262	-
Income tax expense/(recovery)	167	(37)	-	-
Exchange translation	78	(18)	-	-
Stock based compensation	620	43	620	43
Changes in non-cash working capital items:				
Amounts receivable	(12)	(50)	-	-
Advances and prepaid	(20)	-	36	(36)
Trade and other payable	494	35	41	6
Net cash used in Operating Activities	(1,706)	(934)	(583)	(639)

22. Acquisition of Businesses

On March 15, 2012 the Company announced that it had reached agreement for the purchase of its placer gold production joint venture partner, Goldmines New Zealand Limited, as well as the remaining 50% share of the joint venture's mining operator, Dunstan Mining Limited, in regards to its placer gold mining/exploration projects located in Otago, New Zealand.

Full ownership of its placer joint venture and associated mining equipment should enable the Company to significantly accelerate and increase production capacity. The transaction involves purchasing the 50% of shares in Dunstan Mining Limited that the Company did not already own, and 100% of the shares in Goldmines New Zealand Limited.

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 paid in June 2012 and twenty five (25) monthly payments of NZ\$80,000 (C\$65,768) commencing July 1, 2012.

Apart from the fair value adjustment to the mining equipment, the remainder of the acquisition price has been allocated to Mineral Properties, in recognition that the purchase was based on the fair value of the estimated near-term mining cash generation returns and additional targets to be tested.

The Company incurred acquisition-related costs of NZ\$126,000 (C\$104,000) related to external legal fees and taxation advice. The external legal fees and taxation advice costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

The details of the fair values at the date of acquisition are set out below:

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	Book Values as at March 19, 2012	Fair Value adjustments at March 19, 2012	Values recognised on Acquisition at March 19, 2012
Cost of Acquisition			
Fair value of issued shares (2,188,184 shares)	821	-	821
Cash paid March, 2012	410	-	410
Cash paid June, 2012	1,230	-	1,230
Deferred cash (payable monthly for 25 months commencing July 1, 2012)	1,640	-	1,640
Total cost of acquisition	4,101	-	4,101
Fair Value of Assets and Liabilities			
Cash and cash equivalents	96	-	96
Trade and other receivables	109	-	109
Plant & Equipment	145	593	738
Other financial assets	16	-	16
Trade and other payables	(182)	-	(182)
Other financial liabilities	(24)	-	(24)
Mineral properties	-	3,348	3,348
	160	3,941	4,101

Both Dunstan Mining Limited and Goldmines New Zealand Limited had accounting policies whereby expenditure on mining equipment and exploration/resource proving activities were expensed as incurred to their respective Profit & Loss accounts.

23. Neavesville Prospect

On November 19, 2012 the Company announced that it had executed a Share Sale agreement with Eurasian Minerals Inc. securing the option to acquire the Neavesville prospect.

The Option provides for staged payments and obligations as follows:

1. Immediate reimbursement of recent exploration costs (C\$85,567);
2. Option payment of 850 oz. gold* prior to 31 Dec 2013;
3. Drilling 5,000m and publication of an updated JORC/NI 43-101 compliant Resources Report within 24 months of the payment above or prior to 31 December 2015;
4. Exercise of the Option to purchase the shares in the company owning the Neavesville permits and execution of an agreement to pay amounts ("Deferred Consideration") equivalent to a 2% NSR on production from the permits;

5. Additional payments ("Additional Payments") at the rate of 75 oz. gold* per annum, prior to exercise of the Option and 100 oz. gold* after exercise of the Option, until production commences, whereupon the Deferred Consideration pertains and the Additional Payments paid are credited against 80% of the Deferred Consideration;

6. Upon the production of a JORC/NI 43 101 compliant feasibility study, supporting a decision to construct a mine, payment of gold* in the ratio of 1:100 on all probable and proven reserves included in that report – up to a limit of 500,000 oz. on those and subsequently reported reserves, and with payment of gold* on reserves above 500,000 oz. being in a reduced ratio of 1:200.

* gold payments may also be made in equivalent US dollars at the then price of gold or in equivalent Glass Earth fully paid ordinary shares – the mode of payment to be at Glass Earth's election. Payment using Glass Earth shares would be subject to TSXV approval.

A third party will be taking a 50% interest in Glass Earth's rights to the Neavesville project, thereby assisting in the funding of the above obligations to that extent.

24. Subsequent Events

Private Placement

Included in Current Liabilities at year end, was \$270,000 of funds subscribed for shares which were issued on February 14, 2013, as part of the issue described below. 1,687,500 common shares were issued, in settlement of this liability, for 16 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 25 cents per share for a period of two years following the date of issue of the Units.

Fundraising February 2013

On February 14, 2013 the Company announced the completion of Private Placement financing for gross proceeds of \$301,520. 1,884,500 common shares were issued, for 16 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 25 cents per share for a period of two years following the date of issue of the Units.

All the above securities issued pursuant to the private placement are subject to a hold period and may not be traded until June 15, 2013.