

GLASS EARTH GOLD LIMITED (“GEGL”)

For the twelve months ended December 31, 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 40

ANNUAL OVERVIEW

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

In 2012 we commenced with a clear objective “to become a financially sustainable junior explorer with the capacity to drill projects that will lead to gold discoveries of substance, achieving significant value for our shareholders”.

Fundamentally these goals did not change during the year, however management articulated a change in priorities with the direction to become a greenfields explorer transitioning to resource delineation and development sustained by production from placer mining.

The three key changes to our company strategy are:

1. Transition advanced projects from exploration to delineation
2. Demonstrate not just geological potential; but also the skills, resources and determination to deliver on the promised value.
3. A third key ingredient here is the focus on just two projects, **Wharekirauponga (WKP) and Neavesville**, sustained by the placer mining being run autonomously by its own Operations Manager. The aim is to deliver within a 2-3 year timeframe, on both projects.

Wharekirauponga (WKP) Gold Project in Hauraki, New Zealand

WKP is held by the Hauraki Joint Venture (HJV), an agreement between Newmont Waihi Gold (65%) and Glass Earth Gold Limited (35%).

The year ended with the delivery in January 2013 of the NI 43 101 Technical Report on the Exploration at the Wharekirauponga (WKP) Project Hauraki Goldfield, New Zealand (Prepared by Peter Grieve for Glass Earth Gold Limited).

Excerpts from the summary are as follows:

“The WKP Project is developing as a significant new gold discovery within a large low sulphidation Au-Ag epithermal system capable of hosting a major gold deposit. The property is located in the southern Hauraki Goldfield, 10km north of the 10Moz Martha Gold Mine (Braithwaite R. L., 2005), and 110km south-east of Auckland, New Zealand’s largest city.

Exploration on the WKP project demonstrates that it is a very large permissive low sulphidation epithermal gold system (approximately 1.2km by 1km). Following on from historical exploration of the Eastern Zone evaluated by various parties in the 1980's and 1990's the Hauraki Joint Venture work has identified two other significant zones of mineralisation (Central and Western Zones), and recently intersected mineralisation on the Eastern Graben structure where the current focus of drilling activity continues.

The HJV plans a significant exploration programme for 2013, focussing initially on the evaluation of the Eastern Graben Structure and to include a project first resource estimate, metallurgical test work, rock engineering study, geophysics and a 2,500m diamond drill programme. The estimated cost for this programme is NZ\$2.7 million." (C\$2.2m).

Neavesville Gold Project in Hauraki, New Zealand (*Glass Earth 50%*)

On 19th November Glass Earth Gold announced that it had executed an Option agreement with Eurasian Minerals Inc to purchase Eurasian Minerals subsidiary, Hauraki Gold Limited, which holds the exploration permits for the Neavesville prospect (immediately north of the WKP prospect and Martha Mine, Hauraki, New Zealand).

The Neavesville prospect consolidates a 30km² area of prospective ground in the Hauraki Goldfield under exploration permits 52-759 and 51-767.

Neavesville has been actively explored by a number of exploration companies from the 1970s through 2007, including Amoco (Cyprus), CRA, Homestake, City Resources, Normandy, and Newmont. Work conducted includes:

- 63 diamond holes totalling over 8,900 meters of drilling,
- more than 1,400 rock samples,
- soil sampling grids, and
- numerous campaigns of geophysical surveys (magnetics, gravity, EM, etc.).

The largest of the gold systems defined by the historical drilling and surface geochemistry is centred on Trig Bluffs where gold/silver mineralisation is developed along steeply dipping low sulphidation quartz-adularia veins, and as pervasive and stockworks in breccia and dacite porphyry.

Neavesville Historic Mineral Resource Estimates:

GEGL states the historical resource estimate in accordance with NI 43-101 section 2.4 as follows:

- near-surface, historic resource estimate for the "upper zone" mineralization reported as 3.2 million tonnes averaging 2.7 g/t gold and 8.9 g/t silver, containing 289,000 ounces of gold and 944,000 ounces of silver; and
- deeper, potentially underground historic resource estimate reported as 0.47 million tonnes averaging 7.1 g/t gold and 20.7 g/t silver containing 95,760 ounces of gold and 312,785 ounces of silver.

(a) The historic mineral resource estimates produced in 1999 (and updated in 2001) by the (New Zealand) Institute of Geological and Nuclear Sciences was contained in Assessment of gold-silver prospects at Pakirarahi,

Coromandel Peninsula for Pakirarahi No. 2 Trust By R.L. Braithwaite, PhD, Member AusIMM - Prepared for Pakirarahi No. 2 Trust Institute of Geological and Nuclear Sciences client report no: 1999/45 April 1999 (Amended November 2001).

(b) The historical estimate is considered reliable, and is relevant as an indication of the approximate size of the gold deposit being targeted for further drill exploration.

(c) The historic resource estimate for both “upper zone” and “potential underground” was estimated manually following industry standard procedures. This is based on:

- Drawing on drillhole cross sections an outline of a gold mineralised zone defined by grade/width intercepts that are potentially economic for an open pit mine using a cut-off grade of 0.7 g/t Au as a guide (Fig. 3).
- Calculation of the cross-sectional area of the mineralised zone on three cross sections 50m apart, centred at 66000N (Fig. 3).
- The sectional area as defined by the boundaries of gold zone in the drillhole intersections were subdivided into rectangular areas that extend halfway to the next drillhole (usually 25m) on the same section. The composite grade of continuously mineralised drillhole intercepts were assigned to estimated true thickness, e.g. 1.83 g/t Au over 65m in NDDH30. This grade was assigned to each rectangular area to calculate a weighted grade. The rectangular areas were summed for each section.
- Sectional areas were then converted to volumes by assuming that a block of mineralisation extends halfway to the next section plus an assumed extra 50m extending beyond the last drillhole intercept.
- The volumes for each of the blocks were aggregated and converted to tonnes by using a density of 2.5 tonnes per cubic metre. This density is an approximate average value for the type of mineralised rock present at Trig Bluffs, but would need to be measured accurately by direct measurement for an Indicated or Measured Mineral Resource estimate.
- The average grade is the weighted according to the volume of the different blocks.

(d) The resource estimates were carried out to JORC standard, and were stated as “inferred Mineral Resource”, in the authors opinion the inferred status used in this instance is the same as CIM standards on Mineral Resources and Reserves.

(e) There are no more recent estimates available to the issuer.

(f) Check assaying, logging of existing core, and remodeling of the existing data would be sufficient to verify the historical estimate as current inferred resources.

Considerable drilling, additional metallurgical and geotechnical studies are recommended by the historical author (R L Braithwaite) to raise the confidence in the resource estimate to “indicated Mineral Resource”.

(g) A qualified person has not done sufficient work to classify the historical estimate as current mineral resources; and GEGL is not treating the historical estimate as current mineral resources.”

Prior to work commencing access arrangements with local Iwi landowners is required, these negotiations are progressing satisfactorily.

Following successful access negotiation field work is planned to:

- re-interpret geological model & recalculate resource potential;
- Commence resource drill programme to update and improve confidence of resources
- follow-up on additional multiple gold/silver targets identified.

The Neavesville project offered the opportunity to have management and control over the development of a significantly advanced gold /silver project, with an already established Historic JORC compliant resource with the immediate objective to update and improve the potential of the existing Trig Bluff resource. The project also offered tantalising new targets to increase the size and potential of the prospect. In the vicinity of GEG's other Hauraki projects (WKP, Glamorgan, and Waihi West) Neavesville will focus GEG's exploration/development efforts in the region of Newmont Waihi Gold's, Martha Hill mining operations.

MUIRS Gold Project in Mamaku, New Zealand (Glass Earth 100%)

The year ended with the delivery in January of the NI 43-101 Technical Report on Resources at Muir's Project, Te Puke, Bay of Plenty, New Zealand (Prepared by Peter Grieve for Glass Earth Gold Limited).

Excerpts from this report are:

Exploration by Glass Earth Gold Limited (GEGL) at the Muir's Project in the Hauraki Goldfield in New Zealand's North Island has outlined an inferred resource of 5.24 Mt averaging 1.3 g/t gold using a 0.5 g/t gold cut off for a total of 219,000 ounces of gold. Gold as electrum occurs in mineralized low sulphidation style epithermal quartz veins. GEGL wholly owns the prospect and has focused on developing greater understanding of the economic potential of the mineralization at the site.

The resource estimate is based on data from GEGL and historical data from BP Minerals and Mineral Resources New Zealand Ltd dating back to the 1980's. GEGL executed 24 trenches of 510m total length, 16 diamond drill holes of 3141.25m combined length, 2 RC drill holes of 463m combined length. The historical drilling comprises 12 diamond drill holes with a combined length of 1739m and 40 RC drill holes with a combined length of 3966m. Historical channel sampling includes 7 channel samples taken from surface and underground workings for a total of 253m combined length.

The reader is cautioned that the status of inferred resource reflects the relative confidence of the grade estimates and is based on several factors including sample spacing (both along strike and down dip), lack of quality assured data for historical drilling data, limited bulk density data, uncertainty over structural controls on mineralization and sample quality. Furthermore, geological continuity has been assumed but not established. The resource has not yet been demonstrated as economically viable. There is also no certainty that it will be converted to a measured and indicated resource category through further drilling, or into a mineral reserve once economic considerations are applied.

Further drilling is recommended as the volume and grade of the inferred resource could be increased by exploratory drilling to test depth extensions to, and further infill drilling within, the presently known mineralization.

In addition to targeting further mineralization loci, the drilling would seek to provide more reliable subsurface structural and density data.

Management is considering its options in light of GEG's strategy to concentrate on its two most advanced epithermal projects WKP and Neavesville.

PLACER Mining – Acquisition and Growth in Otago, New Zealand

The year ended with the delivery in February of the **NI 43-101 Technical Report on Glass Earth's Placer Projects, Central Otago and Southland, New Zealand** (prepared by Simon Henderson for Glass Earth Gold Limited).

Excerpts from the summary are as follows:

The report examines five separate alluvial (placer) properties in the Central Otago Goldfields in New Zealand's South Island. Each project, Drybread, Matakanui, Vinegar Hill, Waikaia and Pigburn is detailed independently in the report.

Exploration by GEG at the Placer Projects has outlined indicated mineral resources of 945,000 m³ for a total of 9,950 ounces of gold. In addition GEGL has outlined inferred mineral resources of 1,351,400 m³ for a total of 22,500 ounces of gold.

The indicated resources lie within the Drybread Project, in the upper Manuherikea Valley, where the gold is contained within degradational gravels of Tertiary, Quaternary and Recent age, in shallow horizontal fluvial horizons within 1-11m of surface.

The reader is cautioned that this indicated classification reflects the relative confidence of the grade estimates, the geological continuity, and the continuity of mineralization. Furthermore, there is sufficient information to allow appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit.

The Inferred Resources are contained in four other project areas, Matakanui, Vinegar Hill, Pigburn and Waikaia, respectively located in the Manuherikia, Maniototo and Waikaia valleys, where the gold is contained within degradational gravels of Tertiary, Quaternary and Recent age, in shallow horizontal fluvial horizons within 1-11m of surface.

The reader is cautioned that this inferred classification reflects that quantity and grade can only be estimated on the basis of geological evidence and limited sampling, allowing reasonably assumed, but not verified geological and grade continuity. The estimate is based upon limited information and sampling, gathered through drilling. Due to the uncertainty associated with an inferred mineral resource, it cannot be assumed that all or any part of the resource will be upgraded to an indicated or measured mineral resource with further exploration. Confidence is insufficient to apply meaningful technical or economic parameters.

The report chronicles the historical mining, generally several campaigns of historical drilling, followed by GEGL's drilling, bulk sampling, and where appropriate metallurgical/engineering data collection on five project areas that are the focus of GEGL's Placer activities.

This technical work consolidated GEGL's existing knowledge of its placer gold resources offering potential to extend the placer mining operations for a significant period.

- Sales revenues from mining operations increased significantly for the year to \$2.98m (2011 \$0.75m). The fourth quarter sales of \$1.4m were close to matching the previous nine months sales (\$1.6m). The increase was due to taking ownership of the other 50% of the placer joint venture in

March 2012 and operating 2 mines instead of one (as from mid-year). Increased production is expected again in 2013.

- Profitability was not achieved in this start-up period of assuming responsibility for mining (May onwards). Extended commissioning of the refurbished Gold Recovery Units and lower 'wash' grades for both sites – chosen for the commissioning stages contributed to early losses. All commissioning costs were written off as incurred. Mining and processing costs were higher during the settling-in process which coincided with 2 of the 3 months of winter in the South Island of New Zealand. The Company recorded a loss from placer mining operations of \$1.15m for the year.
- Attention has now focused on costs reduction and grade control, which combined with a move to higher grade areas for both sites, should see a marked improvement in cash generation and profitability.

FINANCIAL

- The **Company's cash position** as at December 31, 2012 was \$2,621,000;
- Trade payables totalled \$606,000;
- Current and term liabilities in relation to the placer acquisition comprise nineteen monthly payments of NZ\$80,000 (C\$65,936);
- The Company raised \$6.2m during the year from non-brokered Private Placement financings.
- **Financial results** - The net loss for the twelve months ended December 31, 2012 was \$11,135,000 comprised primarily of a non-cash item: the write-off of, or provisioning for, accumulated exploration expenditures of \$7,682,000. 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.

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INTRODUCTION

This discussion and analysis of the operating results and financial condition of Glass Earth Gold Limited ("**Glass Earth**", or the "**Company**") for the twelve months ended December 31, 2012 as prepared on April 10, 2013, should be read in conjunction with the audited financial statements and related notes for the same period and is intended to provide the reader with a review of the factors that affected the Company's performance during the twelve months ended December 31, 2012 and the factors reasonably expected to impact future operations and results.

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

Qualified Person

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

The advancing stage of exploration at Wharekirauponga (WKP) and the potential of the historical mineral estimates of Neavesville are focusing management on resource delineation and development on these two projects, assisted by production from Placer mining.

Hauraki Goldfield

The Hauraki Goldfield in the Coromandel Region contained over 50 separate mineral deposits within a zone approximately 40km wide and 200km long. The majority of these are epithermal quartz vein gold-silver deposits hosted in Tertiary volcanics (Christie A. B., 2006). The largest mineral deposits are the gold-silver deposits at Waihi (Martha and Favona), Thames, Karangahake and Golden Cross. These deposits account for over 85% of the Au-Ag bullion produced from the Hauraki Goldfield (Theron, 2011).

Wharekirauponga (WKP) and **Neavesville** are two epithermal quartz vein gold-silver prospects within this district, where GEG has joint ventures with Newmont Waihi Gold on the WKP and Waihi West prospects, and an option-to-purchase agreement with Eurasian Minerals Inc, who holds the rights to the Neavesville prospect.

Mamaku Region

This region includes the **Muir's Reef** prospect, which historically has produced more than 43,000 ounces of gold.

Otago Region

In the Otago Region, home to Oceana Gold's Macraes Goldfield, GEG has focused on identification of mesothermal "Macraes-style" gold targets and revenue generation through placer (alluvial) gold production. This region was the subject of GEG's major data collection/geophysical surveys covering over 13,000 km², detailed on-ground evaluation and drilling has led to the identification of several new hard rock gold targets – and the identification of its current placer mining operations.

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 \$4.1m.

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 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 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 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.

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 **December, 2012**, 21,844,750 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.

GLASS EARTH EXPLORATION REGIONS

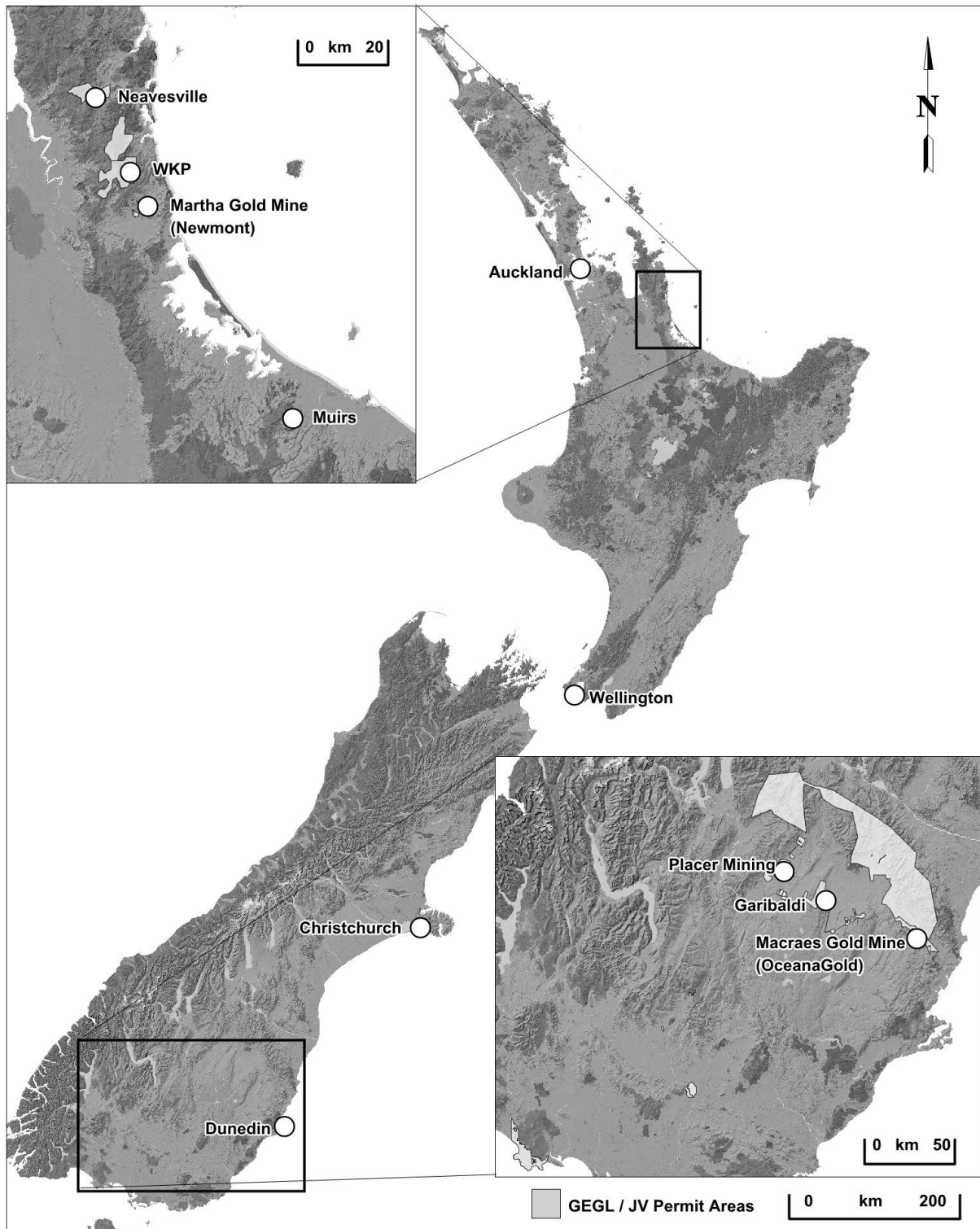


Figure 1: Glass Earth Gold Project Locations

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, now focussed to:

- Advanced gold prospects WKP and Neavesville in the Hauraki area;
- Advanced gold prospect at Muirs, in the Mamaku area;
- Placer gold production in the Otago Region,
- New gold prospect Garibaldi in the Otago Region.

Glass Earth Gold is now entering into a new phase of exploration and development, to be 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, and Neavesville gold-silver projects) 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 to have a focus on its primary objective: - the advancing of resources definition on its most prospective projects.

Cash flow from placer mining in Central Otago should assist in funding these endeavours.

The reassessment exercise and subsequent permit relinquishment resulted in write-offs of some C\$7.7m of historic accumulated exploration expenditures in 2012. The rationale behind this process is explained in the Financial Commentary section at page 28.

Wharekirauponga (WKP) Hauraki Region

Following the 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).

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

The year ended with the delivery in January 2013 of the **NI 43 101 Technical Report on the Exploration at the Wharekirauponga (WKP) Project Hauraki Goldfield, New Zealand** (Prepared by Peter Grieve for Glass Earth Gold limited).

This report supersedes previous annual and quarterly updates and provides a comprehensive technical report on exploration up until December 2012.

The WKP Project is held by the Hauraki Joint Venture (HJV), an agreement between Newmont Waihi Gold (65%) and Glass Earth Gold Limited (35%). Exploration to date is carried out by, and managed, by Newmont Waihi Gold, and supervised by experienced exploration personnel.

The WKP Project is developing as a significant new gold discovery within a large low sulphidation Au-Ag epithermal system capable of hosting a major gold deposit. The property is located in the southern Hauraki Goldfield, 10km north of the 10Moz Martha Gold Mine (Braithwaite R. L., 2005) , and 110km south-east of Auckland, New Zealand's largest city.

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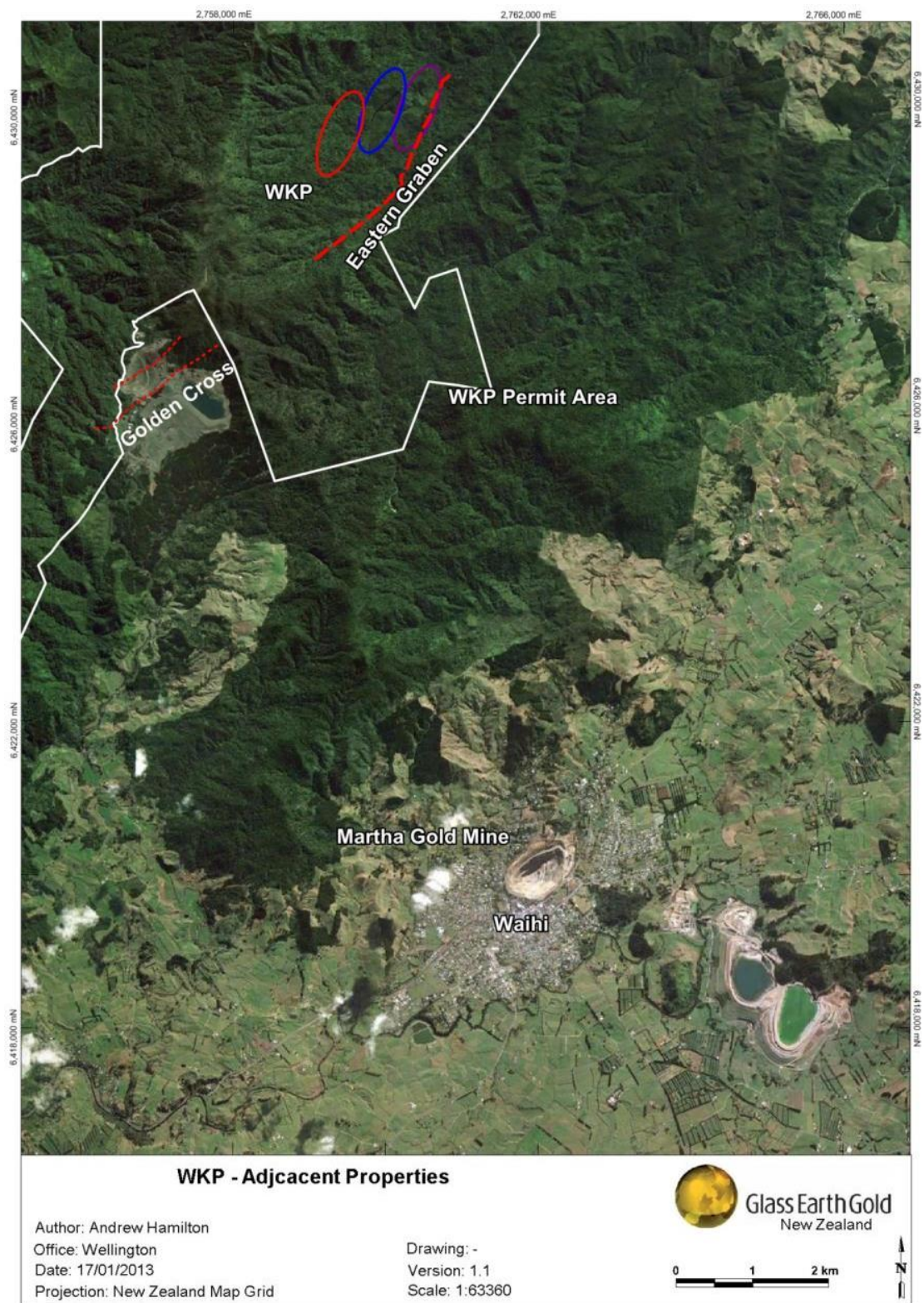


Figure 2: WKP Location

For the twelve months ended December 31, 2012

Exploration on the WKP project demonstrates that it is a very large permissive low sulphidation epithermal gold system (approximately 1.2km by 1km). Following on from historical exploration of the Eastern Zone evaluated by various parties in the 1980's and 1990's the Hauraki Joint Venture work has identified two other significant zones of mineralisation (Central and Western Zones), and recently intersected mineralisation on the Eastern Graben structure where the current focus of drilling activity continues.

In the Central Zone broad low grade intercepts are a feature (WKP26 151m at 1.2ppm Au, and WKP27 102.2m at 1.1 ppm Au) with the margins of a voluminous rhyolite rock type providing a focus of hydrothermal fluid flow and high grade gold mineralisation. The interior of the competent and homogeneous rhyolite rock has permitted regular fracturing and broad hydrothermal fluid flow with resulting consistent large-tonnage low-grade gold mineralisation.

This contrasts with the East Graben structure within the Eastern Zone which is typically dominated by discrete veins. Drill core from 580m down-hole in WKP35 shows episodic high level crustiform banded veins, hydrothermal and tectonic brecciation corresponding with multiple phases of mineralisation, hosted on the position of rhyolite and andesite lithology's. Assay results for this interval returned 7.9m grading 5.1 ppm Au, including 3.4m grading 8.3 ppm Au. This style of mineralization on the Eastern Graben structure was new for this project and important because there are strong similarities with major gold mines in the vicinity, namely Martha, Favona, and Golden Cross.

The broad low grade gold mineralisation within the Central Zone and veins relating to the East Graben structure lie on a major north-north-east trending structure marking the intersection of rhyolite (west) and more intermediate andesite pyroclastics (to the east). This is a district scale structure, identified on magnetic and resistivity (geophysical) data, and may represent the primary focus of significant coherent mineralisation in the WKP area.

The HJV plans a significant exploration programme for 2013, focussing initially on the evaluation of the Eastern Graben Structure and to include a project first resource estimate, metallurgical test work, rock engineering study, geophysics and a 2,500m diamond drill programme. The estimated cost for this programme is NZ\$2.7 million.

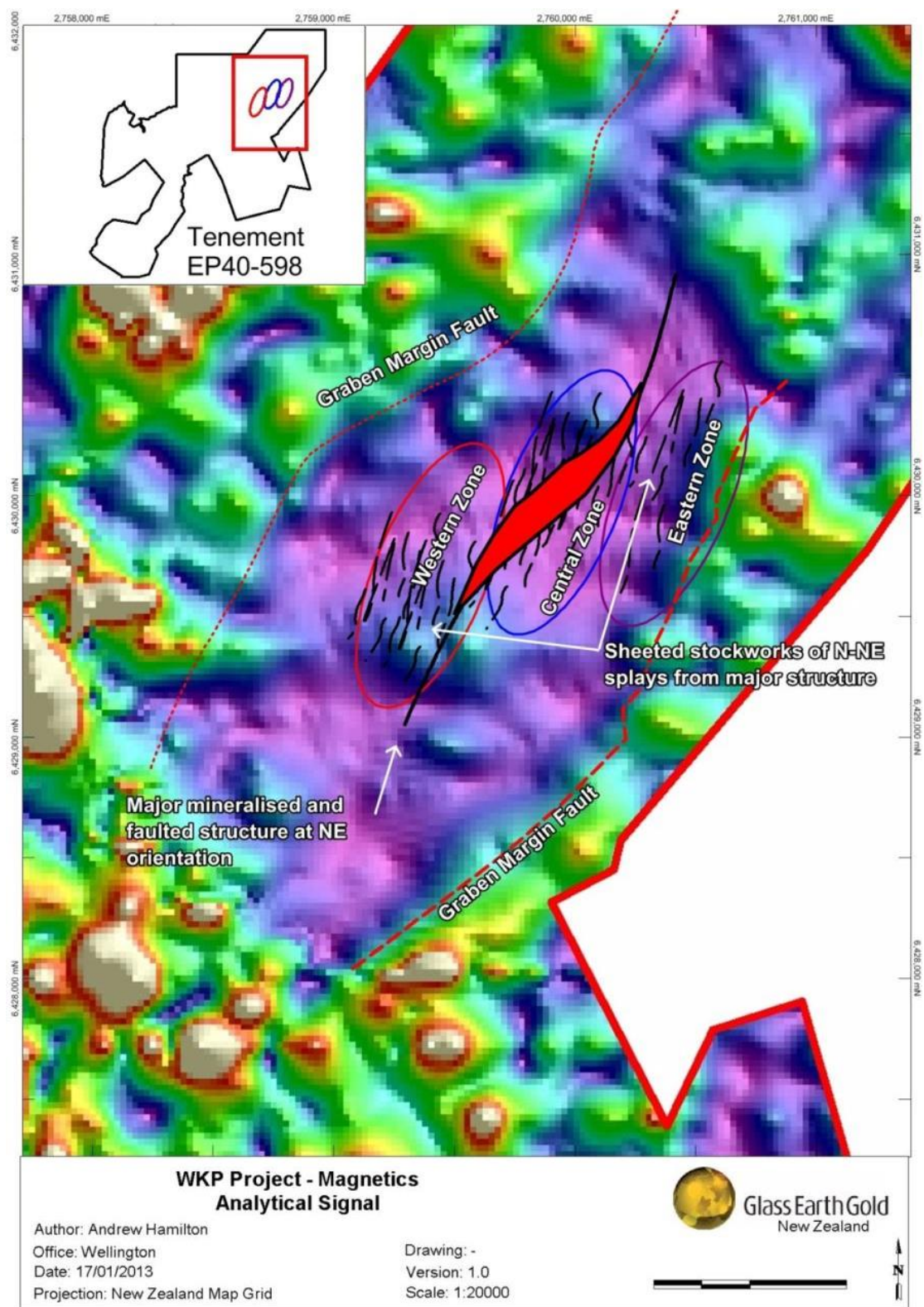


Figure 3: WKP Projects Geophysics

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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 December 2012, Newmont had expended approximately 71% of the funds required for it to earn an initial 60% equity in this permit.

Neavesville - Hauraki Region

On 19th November 2012 **Glass Earth Gold** announced that it has executed an Option agreement with Eurasian Minerals Inc to purchase Eurasian Minerals subsidiary, Hauraki Gold Limited, which holds the exploration permits for the **Neavesville** prospect (immediately north of the WKP prospect and Martha Mine, Hauraki, New Zealand).

The Neavesville prospect consolidates a 30km² area of prospective ground in the Hauraki Goldfield under exploration permits 52-759 and 51-767 (see **Error! Reference source not found.**).

Neavesville has been actively explored by a number of exploration companies from the 1970s through 2007, including Amoco (Cyprus), CRA, Homestake, City Resources, Normandy, and Newmont. Work conducted includes:

- 63 diamond holes totalling over 8,900 meters of drilling,
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- soil sampling grids, and
- numerous campaigns of geophysical surveys (magnetics, gravity, EM, etc.).

The largest of the gold systems defined by the historical drilling and surface geochemistry is centred on Trig Bluffs where epithermal gold mineralisation is developed in a large multiphase breccia complex that cuts faulted volcanic and minor sedimentary sequences, with gold/silver mineralisation developed along steeply dipping low sulphidation quartz-adularia veins, and as pervasive and stockworks in breccia and dacite porphyry.

Neavesville Historic Mineral Resource Estimates

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- Calculation of the cross-sectional area of the mineralised zone on three cross sections 50m apart, centred at 66000N.
- The sectional area as defined by the boundaries of gold zone in the drillhole intersections were subdivided into rectangular areas that extend halfway to the next drillhole (usually 25m) on the same section. The composite grade of continuously mineralised drillhole intercepts were assigned to estimated true thickness, e.g. 1.83 g/t Au over 65m in NDDH30. This grade was assigned to each rectangular area to calculate a weighted grade. The rectangular areas were summed for each section.
- Sectional areas were then converted to volumes by assuming that a block of mineralisation extends halfway to the next section plus an assumed extra 50m extending beyond the last drillhole intercept.
- The volumes for each of the blocks were aggregated and converted to tonnes by using a density of 2.5 tonnes per cubic metre. This density is an approximate average value for the type of mineralised rock present at Trig Bluffs, but would need to be measured accurately by direct measurement for an Indicated or Measured Mineral Resource estimate.
- The average grade is the weighted according to the volume of the different blocks.

(d) The resource estimates were carried out to JORC standard, and was stated as "inferred Mineral Resource", in the authors opinion the inferred status used in this instance is the same as CIM standards on Mineral Resources and Reserves.

(e) There are no more recent estimates available to the issuer.

(f) Check assaying, re-logging of existing core, and remodeling of the existing data would be sufficient to verify the historical estimate as current inferred resources.

Considerable drilling, additional metallurgical and geotechnical studies are recommended by the historical author (R L Braithwaite) to raise the confidence in the resource estimate to "indicated Mineral Resource".

(g) A qualified person has not done sufficient work to classify the historical estimate as current mineral resources; and GEGL is not treating the historical estimate as current mineral resources."

The Neavesville project offers the opportunity to have management and control over the development of a significantly advanced gold /silver project, with an already established JORC compliant resource with the immediate objective to update and improve the potential of the existing Trig Bluff resource. The project also offered tantalising new targets to increase the size and potential of the prospect. In the vicinity of GEG's other Hauraki projects (WKP, Glamorgan, and Waihi West) Neavesville will focus GEGL's exploration/development efforts in the region of Newmont Waihi Gold's Martha Hill mining operations".

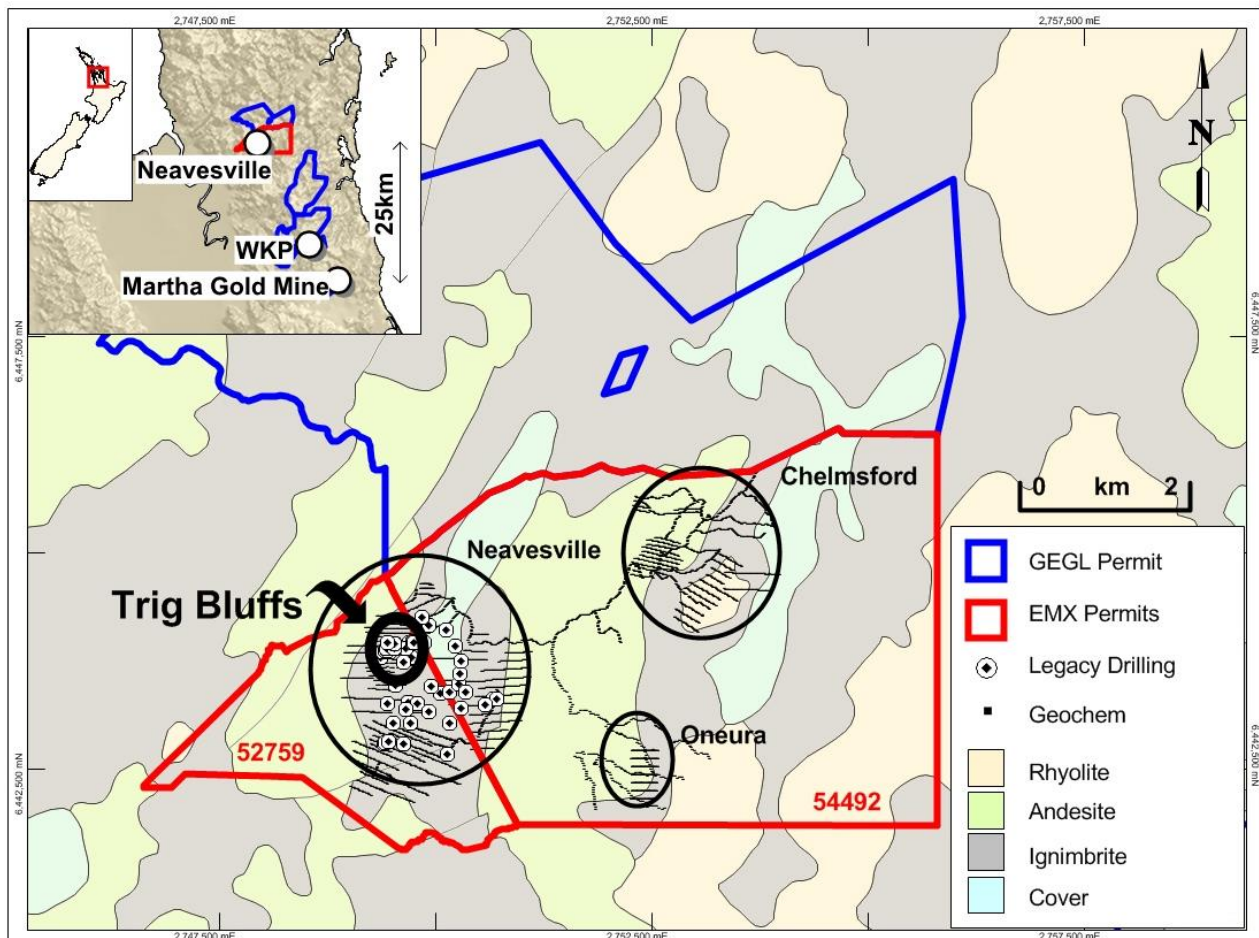


Figure 4: Neavesville Location

Future work:

Prior to work commencing access arrangements with local Iwi landowners is required, these negotiations are progressing satisfactorily.

Following successful access negotiation field work is planned to

- re-interpret geological model & recalculate resource potential;
- Commence resource drill programme to update and improve confidence of resources
- follow-up on additional multiple gold/silver targets identified.

Muir's Prospect (Glass Earth 100%)

The year ended with the delivery in January of the NI 43-101 Technical Report on Resources at Muir's Project, Te Puke, Bay of Plenty, New Zealand (Prepared by Peter Grieve for Glass Earth Gold limited). This provides a comprehensive report of the exploration of the Muir's and Massey Reef gold systems, and includes all of GEG's work to the 31 December 2012.

The summary of this work is as follows;

For the twelve months ended December 31, 2012

Exploration by Glass Earth Gold Limited (GEGL) at the Muir's Project in the Hauraki Goldfield in New Zealand's North Island has outlined an **inferred resource of 5.24 Mt averaging 1.3 g/t gold using a 0.5 g/t gold cut off for a total of 219,000 ounces of gold**. Gold as electrum occurs in mineralised low sulphidation style epithermal quartz veins. GEGL wholly owns the prospect and has focused on developing greater understanding of the economic potential of the mineralization at the site.

The resource estimate is based on data from GEGL and historical data from BP Minerals and Mineral Resources New Zealand Ltd dating back to the 1980's. GEGL executed 24 trenches of 510m total length, 16 diamond drillholes of 3141.25m combined length, 2 RC drillholes of 463m combined length. The historical drilling comprises 12 diamond drillholes with a combined length of 1739m and 40 RC drillholes with a combined length of 3966m. Historical channel sampling includes 7 channel samples taken from surface and underground workings for a total of 253m combined length.

The reader is cautioned that the status of inferred resource reflects the relative confidence of the grade estimates and is based on several factors including sample spacing (both along strike and down dip), lack of quality assured data for historical drilling data, limited bulk density data, uncertainty over structural controls on mineralisation and sample quality. Furthermore, geological continuity has been assumed but not established. The resource has not yet been demonstrated as economically viable. There is also no certainty that it will be converted to a measured and indicated resource category through further drilling, or into a mineral reserve once economic considerations are applied.

Gold mineralised quartz veining in the andesite manifests as topographic highs at Muir's Reef and Massey Reef. As most of the project is covered by post-mineralisation ignimbrite there is potential to discover similar buried mineralised reefs. A seismic reflection survey or another geophysical technique should be considered to highlight lithological contrasts between ignimbrite cover and underlying older mineralised andesites rocks and faulting. If successful such a survey could greatly improve understanding of the sub surface geology and generate high quality drill targets.

Further drilling is recommended as the volume and grade of the inferred resource could be increased by exploratory drilling to test depth extensions to, and further infill drilling within, the presently known mineralisation. In addition to targeting further mineralisation loci, the drilling would seek to provide more reliable subsurface structural and density data.

A proposed structural and petrographic programme is outlined before a decision to recommend a further 10,000m drill programme.

Management is considering its options in light of GEG's strategy to concentrate on its two most advanced epithermal projects WKP and Neavesville.

Glass Earth Gold Limited - Management's Discussion and Analysis
For the twelve months ended December 31, 2012

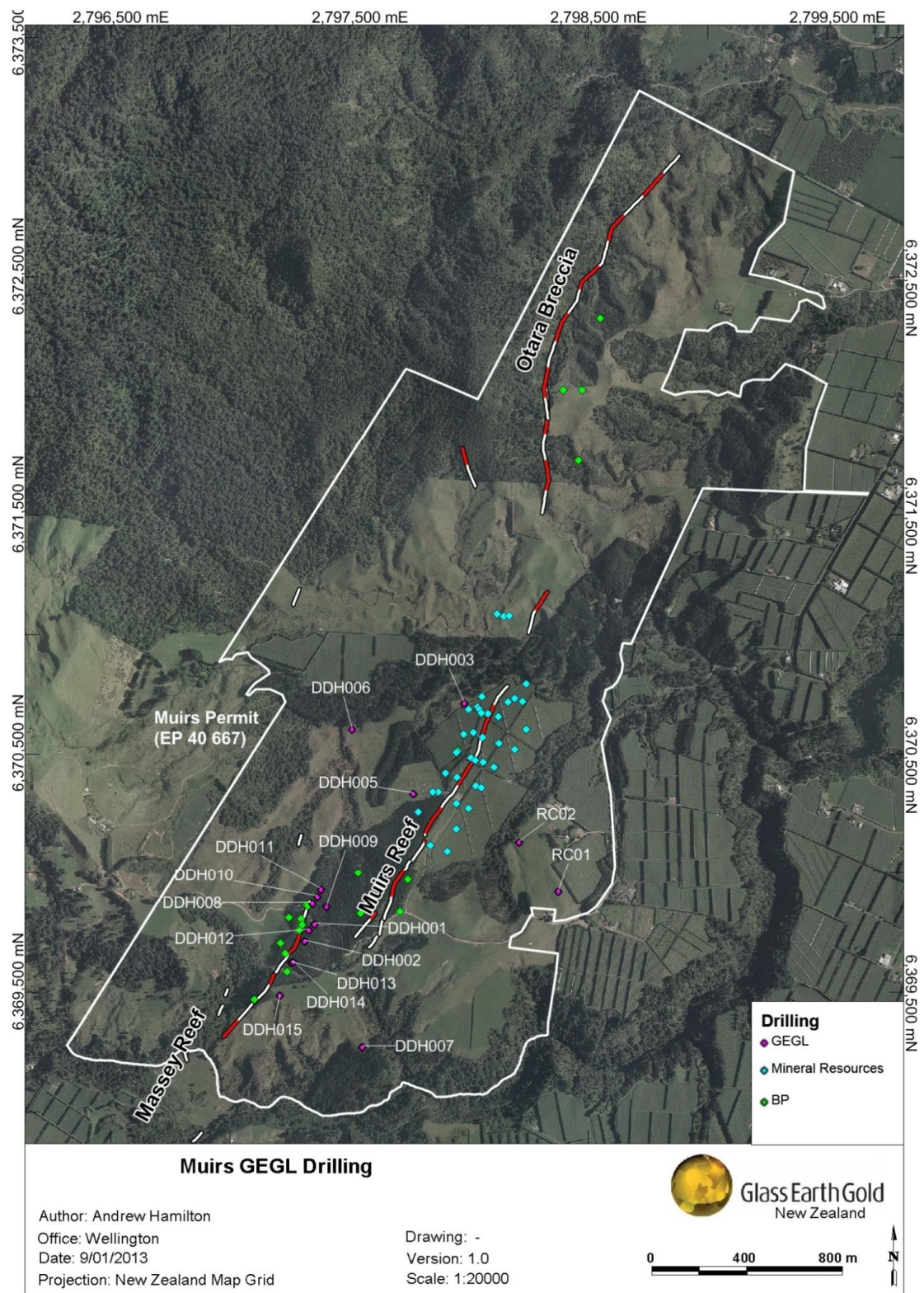


Figure 5: Muirs Reef Drilling Overview

Otago Region

GEG's focus is now firmly on its two major epithermal gold –silver projects in the Hauraki Region, and improving production and revenue from its South Island Placer mining operations. 2012 has therefore been a transition away from the more regional exploration in the Otago region, and a focus on cash generation from Placer mining and new discovery Garibaldi.

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.

168 line kms of ground magnetic surveying was completed in a 12 day period, to delineate the structure of the mafic schist, data has now been post processed and interpreted. After data consolidation and review, a shallow reconnaissance drill program of ten drillholes will be undertaken at Garibaldi in Q1 2013, to test the down-dip and along-strike widths and grade of potential gold mineralization.

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.

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. Wai-iti has a proven strike of 355m, width ranging between 5 – 10m and depth exceeding 80m, down dip from the surface.

An ore model of Wai-iti has been built using exploration drilling results. Resource calculations from the ore model calculate a mineral estimate (using a 1g/t cut-off) approximating 75,000 tonnes at just over 2g/t gold (between 1.8 and 2.5gm/t Au) totalling some 5,000 ounces gold.

NB: This potential quantity and grade is conceptual in nature, and there has been insufficient work done to quantify this as a resource, and it is uncertain that further exploration will result in the target being delineated as resource.

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.

For the twelve months ended December 31, 2012

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. However, the small size of potential resources has management considering its options for Ophir in light of GEGL's strategy to concentrate on its two most advanced epithermal projects WKP and Neavesville.

GEGL's newly granted **prospecting permit 53 297 covers the Kakanui and Hawkdun ranges of North Otago**. A first pass stream sediment sampling program has started to test each major catchment for gold, refining smaller areas for follow-up geochemical testing. Oceana Gold's 7Moz Macraes gold mine lies adjacent to this permit area, hosted in the Hyde-Macraes Shear Zone (HMSZ). Prospecting activities completed have the aim of identifying structural features parallel to the HMSZ in schist of progressively decreasing metamorphic grade towards the edge of the Otago schist belt.

In addition to stream sediment sampling, three soil sampling grids are underway on **GEGL's Moeraki permit**. This sampling follows on from encouraging results received in Q4 2011 and tests further geophysical anomalies parallel to the Hyde Macraes Shear Zone.

Placer Exploration (*Glass Earth 100%*)

The year ended with the delivery in February of the **NI 43-101 Technical Report on Glass Earth's Placer Projects, Central Otago and Southland, New Zealand** (prepared by Simon Henderson for Glass Earth Gold Limited).

This report examines five separate alluvial (placer) properties across the Central Otago and Southland areas, New Zealand. Each project, Drybread, Matakanui, Vinegar Hill, Waikaia and Pigburn is detailed in a separate section.

Exploration by Glass Earth Gold Limited (GEGL) at the Placer Projects in the Central Otago Goldfields in New Zealand's South Island has outlined resources of 945,000 m³ for a total of 9,950 ounces of gold. In addition GEG has outlined inferred mineral resources of 1,351,400 m³ for a total of 22,500 ounces of gold.

The indicated Resources lie within the Drybread Project, in the upper Manuherikea Valley, where the gold is contained within degradational gravels of Tertiary, Quaternary and Recent age, in shallow horizontal fluvial horizons within 1-11m of surface.

The reader is cautioned that this indicated classification reflects the relative confidence of the grade estimates, the geological continuity, and the continuity of mineralization. Furthermore there is sufficient information to allow appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit.

GEGL's mining activities are centred on this area, with mining on-going on Hecklers and Morans prospects.

The Inferred Resources are contained in four other project areas, Matakanui, Vinegar Hill, Pigburn and Waikaia, respectively located in the Manuherikia, Maniototo and Waikaia valleys, where the gold is

contained within degradational gravels of Tertiary, Quaternary and Recent age, in shallow horizontal fluvial horizons within 1-11m of surface.

The reader is cautioned that this inferred classification reflects that quantity and grade can only be estimated on the basis of geological evidence and limited sampling, allowing reasonably assumed, but not verified geological and grade continuity. The estimate is based upon limited information and sampling, gathered through drilling. Due to the uncertainty associated with an inferred mineral resource, it cannot be assumed that all or any part of the resource will be upgraded to an indicated or measured mineral resource with further exploration. Confidence is insufficient to apply meaningful technical or economic parameters.

This report chronicles the historical mining, generally several campaigns of historical drilling, followed by GEGL's drilling, bulk sampling, and where appropriate metallurgical/engineering data collection on five project areas that are the focus of GEGL Placer activities.

GEGL completed a total of 887 drill-holes totalling 7200 metres of drilling, 166 bulk sample/pits for 600m of sampling, and compiled and verified 341 legacy drill-holes for 4,500m of legacy drilling; averaging over both GEGL and Legacy drill-holes an 8.2m depth of vertical drill-holes.

GEGL established its own Laboratory testing facility in Alexandra, this report describes the sample preparation and analytical processes undertaken for this report, as well as gold morphology for individual projects.

The risks and uncertainties associated with the analytical and testing data that could affect the quality of the resource estimate include, particulate gold size, boulders, unconsolidated gravels and clogging/contamination in cyclone, sample size, loss of gold in sample reduction, and panning and weighing processes.

Systematic bulk sampling to confirm reliability of both historic and GEGL drilling, significantly minimises the above uncertainties in analytical work, and the author is of the opinion that the quality of the analytical work and sampling is suitable to support the resource estimation.

GEGL Placer operations and projects remain relatively underexplored in the Central Otago and Southland regions of the South Island of New Zealand.

At Drybread, where mining operations are currently underway, exploratory mapping and drilling is recommended to target the zone between the current operations, and historical mining activity adjacent to the Dunstan Range.



Figure 6: Mining at Drybread January 2012

At Matakanui and Vinegar Hill, further drilling, and bulk sampling are recommended to improve the confidence in existing resources outlined, and examining the gold potential of recent gravel horizons identified to the south of both resources.

At Waikaia, this larger gold resource in the Southland basin requires significantly more drilling, pitting and engineering data to provide confidence to proceed further on what is a deeper and potentially clayey deposit.

Pigburn, whilst relatively modest, has both resource consent and mining permit in place, and is being examined as a small mining operation under franchise arrangement.

A two stage programme of drilling, pitting and engineering studies is recommended, for an estimated cost of \$NZ195,000 over all five properties.

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 December 31, 2012 are as follows:

\$000s	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash	2,621	522	1,579	2,369	3,614	4,579	2,486	3,801
Working capital	716	(1,216)	165	121	3,399	4,099	2,487	3,437
Total assets	17,894	16,231	16,674	22,722	19,480	20,058	17,729	18,192
(Loss) for period	(2,183)	(456)	(7,260)	(1,236)	(758)	(670)	(262)	(61)
Loss per share (cents)	(1.89)	(0.57)	(10.42)	(1.86)	(1.23)	(1.11)	(0.44)	(0.10)
Mineral exploration	433	694	877	4,029	630	669	614	481
Cash flow from financing (net)	3,635	177	2,309	-	(37)	2,970	-	362
Weighted average shares (millions)	75.6	68.1	68.1	66.6	61.5	60.6	80.0	59.3

The Company is in a transition stage. Although classified as an exploration company in its 'development stage', it will have increasing placer mining income. Although that placer income is expected to become significant, it is not the primary purpose of the Company – that primary purpose is to discover and define a significant hard rock gold deposit.

With all general and administration expenses being expensed, the Company records losses each quarter/year arising from the expensing of these cash operating costs as well as other non-cash expense items. With increasing placer income, these recorded losses are expected to reduce significantly.

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

For the twelve months ended December 31, 2012

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 this year are discussed in some depth below.

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

	Quarters Ending			
	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012
Opening balance	14,711	18,443	12,955	13,637
Geological consulting, mapping and modeling	302	372	74	298
License rentals	91	21	10	64
Drilling	288	484	610	407
Acquisition of placer activities	3,348	-	-	-
Amortisation & Rehabilitation	(37)	(35)	(12)	(252)
Impairment & Provisions of Mineral Properties	(260)	(6,330)	-	(1,092)
Closing balance	18,443	12,955	13,637	13,062

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

The reassessment of permit/target tenure mentioned in the sections above has had a significant effect on the financial results for the 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 year, 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:
 - 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;

For the twelve months ended December 31, 2012

- 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 not 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.

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.

For the twelve months ended December 31, 2012

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 \$7.7m in write-offs for the year. Similar culling of lesser ranked targets have been reluctantly made in respect of Otago (\$2.7m) and Muirs south (\$0.8m).

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

- **WKP** (35% GEGL; 65% Newmont) – NI 43 101 report issued - currently subject to a long term drilling campaign, latest assays awaited;
- **Neavesville** (50% GEGL) – new project near WKP;
- **Muir**s (100% GEGL) – NI 43 101 report issued;
- **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.

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

Project	Opening Balance	Expenditure to Dec 31, 2012	Impairment to Dec 31, 2012	Acquisition to Dec 31, 2012	Closing Balance
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	394	(571)	3,348	4,659
	14,711	2,685	(7,682)	3,348	13,062

For the twelve months ended December 31, 2012

Revenue from Mining Operations

The Company received the following gross revenues from mining operations:-

	Quarters Ending			
	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012
Gold sales	167	349	1,079	1,381
Total	167	349	1,079	1,381

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 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 and acquisition costs, has provided a loss for the year.

Significant Expenses of a Corporate Nature

The Net Loss before Income Taxes, for the year ended December 31, 2012 was \$10,968,000 (2011: \$1,751,000).

Significant expense categories (apart from accumulated exploration expenditure write-offs or provisions) are discussed as per below:

Expenditure	2012		2011	Note
General and administration	256		235	1
Professional fees	179		144	2
Net salaries (after exploration charges)	250		246	3
Investor relations	436		392	4
Directors fees	38		29	
Consulting fees	22		28	
Registry and Filing	109		93	
Travel and accommodation	40		42	
Placer acquisition-related costs	107		-	5
Depreciation	19		72	
Stock-based compensation	620		43	
Total	2,076		1,324	

Note

1. General and Administration costs include accounting services (\$127,000), insurance (\$37,000) and New Zealand office costs (\$80,000).
2. Professional fees are audit fees and legal fees incurred during the period.
3. Net salaries after exploration recharges are principally composed of the costs of the full time Chief Financial Officer, most of the costs of the Data/IT manager, and 25% of the Chief Executive Officer's salary (to reflect the split between exploration activities and the other corporate based work that he undertakes).
4. 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 has been 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 December 31, 2012 was \$2,621,000 (December 31 2011: \$3,614,000).

The Company acquired full control of its placer mining activities in March 2012. Liabilities in relation to the placer acquisition comprised 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).

- During the year, the Company announced the completion of four Private Placement financing arrangements for gross proceeds of \$6,212,000.
- A further \$270,000 was received in December 2012 in advance of a Private Placement financing which was finalised in February 2013.

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.

- 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.

*Apparent increases in remuneration arise as a result of the decreased value of the Canadian dollar

Other Matters

Use of Financial Instruments

For the year ended December 31, 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 December 31, 2012 the Group had no capital commitments. (2011: \$223,000).
- 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-cancellable operating leases, the Company is committed to rental payments of \$73,000 that fall due in 2013 and \$13,000 in subsequent years (2011: \$24,000).
- e) In March 2012 the Company gained full control of its placer mining activities by acquiring its joint venture partner Goldmines New Zealand Limited as well as the remaining 50% share of the joint venture's mining operator, Dunstan Mining Limited. 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.
- f) 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.
- g) Liabilities related to the placer mining acquisition have been accrued in the Company's Statement of Financial Position as at December 31 2012.
- h) On 19 November, 2012 the Company announced that it had executed a Share Sale agreement with Eurasian Minerals Inc. securing the option to acquire the Neavesville prospect (immediately north of the WKP prospect and Martha Mine, Hauraki, New Zealand).

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;

For the twelve months ended December 31, 2012

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\$'s 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 GEG's rights to the Neavesville project, thereby assisting in the funding of the above obligations to that extent.

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, 2012.

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 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

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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 with subsequent annual recognition of an accretion amount. An equivalent amount is recorded as an increase to mineral properties and deferred exploration costs and amortized over the useful life of the properties.

The Company has modest obligations relating to the reclamation of its placer mining properties and has provided for these in this year's financial statements.

SUBSEQUENT EVENTS

There were no significant subsequent events.

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's 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.glassearchthelimited.com and for regulatory filings, including news releases, please refer to www.SEDAR.com.

RISKS, UNCERTAINTIES AND OTHER ISSUES

Glass Earth's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future. Glass Earth's common shares should be considered speculative.

Nature of Mineral Exploration and Development Projects

The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into mines. Glass Earth's properties are in the exploration stage and at present do not contain a known body of commercial ore. The proposed exploration programs are an exploratory search for such a deposit. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

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

In the event the Company is fortunate enough to discover gold and/or silver deposits, the economics of commercial production depend on many factors, including the cost of operations, the grade of the gold and/or silver and any associated minerals, proximity to infrastructure, metal prices, financing costs and Government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of these factors could adversely affect the economics of commencement or continuation of commercial production.

The profitability of the Company's operations will be dependent, inter alia, on the market prices of gold and silver, which are affected by numerous factors beyond the control of the Company, including international economic and political conditions, levels of supply and demand, and international currency exchange rates.

Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land available for exploration, the availability of suitable contractors, and other factors. If mineralization is discovered, it may take several years in the initial phases of exploration until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves through drilling, to determine the optimal metallurgical process and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves.

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

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

Licenses and Permits, Laws and Regulations

Glass Earth's exploration activities require permits from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. Glass Earth draws on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies.

The Company believes that it holds, or has applied for, all necessary licenses and permits under applicable laws and regulations and believes it is presently complying in all material respects with the terms of such licenses and permits. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Government approvals and permits are required in connection with the exploration activities proposed for the properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

Environmental

Exploration, development and mining operations are subject to various environmental laws and regulations including, for example, those relating to waste treatment, emissions and disposal, and companies must generally comply with permits or standards governing, among other things, tailing dams and waste disposal areas, water consumption, air emissions and water discharges. Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. Glass Earth's right to exploit any minerals it discovers is subject to various reporting requirements and to acquiring certain Government approvals and there is no assurance that such approvals, including environmental approvals, will be granted without inordinate delays or at all.

Claim Titles and Aboriginal Rights

Aboriginal rights in New Zealand reside in the indigenous population known as Maori. Maori, individually or collectively may advance claims on Crown properties, or other types of tenure, with respect to which mining rights have been conferred. Glass Earth is not aware of any such land claims having been asserted or any legal actions relating to Maori issues having been instituted with respect to any of the Company's properties. The legal basis of a land claim is a matter of considerable legal complexity and the impact of a land claim settlement and self-government agreements cannot be

predicted with certainty. In addition, no assurance can be given that a broad recognition of Maori rights by way of a negotiated settlement or judicial pronouncement would not have an adverse effect on the Company's activities. Such impact could be marked and in certain circumstances, could delay or even prevent the Company's exploration or mining activities. The Company is aware of the mutual benefits afforded by a co-operative relationship with the Maori, in conducting exploration activity and is supportive of measures established to achieve such cooperation.

Dependence on Key Personnel

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

Joint Ventures

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

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

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

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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. As at April 10, 2013, the following items were issued and outstanding:

- 105,665,593 common shares;
- 4,678,000 common share purchase options with an average exercise price of \$0.33 per share and expiry dates of between July 24, 2013 and February 9, 2017;
- 2,665,949 unlisted common share purchase warrants with an exercise price of \$0.80 per share and an expiry date of September 26, 2013;
- 340,900 unlisted common share purchase warrants with an exercise price of \$0.80 per share and an expiry date of October 4, 2013;
- 8,211,483 unlisted common share purchase warrants with an exercise price of \$0.50 per share and an expiry date of December 31, 2013;
- 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 and
- 1,908,000 unlisted common share purchase warrants with an exercise price of \$0.35 per share and an expiry date of October 16, 2014.
- 19,719,070 unlisted common share purchase warrants with an exercise price of \$0.25 per share and an expiry date of December 11, 2014;
- 3,490,312 unlisted common share purchase warrants with an exercise price of \$0.25 per share and an expiry date of December 28, 2014; and
- 1,884,500 unlisted common share purchase warrants with an exercise price of \$0.25 per share and an expiry date of February 13, 2015;

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 ("**GEGL**" or "**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.