GALANTAS GOLD CORPORATION

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)

(Unaudited)
Three and Six Months Ended June 30, 2011

Management's Responsibility for Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Galantas Gold Corporation (the "Company") are the responsibility of the Board of Directors.

The unaudited condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed consolidated interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) *"Roland Phelps"*
Roland Phelps

(signed) *"Leo O'Shaughnessy"*
Leo O'Shaughnessy

President Chief Financial Officer

August 23, 2011

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3[3][a], if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Galantas Gold Corporation

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	As at June 30, 2011	As at December 31, 2010 (note 21(v))	As at January 1, 2010 (note 21(v))
ASSETS			
Current assets			
Cash (note 8)	**$ 4,053,034**	$ 2,661,798	$ 485,997
Accounts receivable and advances (note 9)	**1,762,815**	751,233	657,515
Inventory (note 10)	**352,213**	411,605	445,666
Total current assets	**6,168,062**	3,824,636	1,589,178
Non-current assets			
Property, plant and equipment (note 11)	**3,403,612**	2,299,608	2,379,769
Long-term deposit (note 8)	**302,114**	302,504	84,590
Deferred development and exploration costs (note 12)	**3,724,158**	3,485,774	4,303,084
Total assets	**$ 13,597,946**	$ 9,912,522	$ 8,356,621

EQUITY AND LIABILITIES

Current liabilities			
Accounts payable and other liabilities (note 13)	**$ 2,077,473**	$ 1,127,803	$ 1,831,010
Current portion of financing facility (note 14)	**-**	31,266	77,830
Due to related parties (note 18)	**3,015,466**	2,957,903	3,382,332
Convertible debenture (note 15)	**1,816,168**	-	-
Total current liabilities	**6,909,107**	4,116,972	5,291,172
Non-current liabilities			
Asset retirement obligation	**387,325**	387,825	422,949
Long-term portion of financing facility (note 14)	**-**	-	34,102
Total liabilities	**7,296,432**	4,504,797	5,748,223
Capital and reserves			
Share capital (note 16)	**27,808,316**	27,808,316	26,530,787
Reserves	**4,955,829**	4,781,439	4,009,841
Deficit	**(26,462,631)**	(27,182,030)	(27,932,230)
Total equity	**6,301,514**	5,407,725	2,608,398
Total equity and liabilities	**$ 13,597,946**	$ 9,912,522	$ 8,356,621

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Going concern (note 1)
Contingent liability (note 20)

Galantas Gold Corporation

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010** (note 21(v))
Revenues				
Gold sales	**$ 3,266,572**	$ 1,503,296	**$ 4,468,713**	$ 3,484,111
Cost and expenses of operations				
Cost of sales	**1,345,291**	952,944	**2,374,153**	2,007,167
Amortization and depreciation	**241,727**	156,416	**381,860**	445,886
	1,587,018	1,109,360	**2,756,013**	2,453,053

Income before the undernoted	**1,679,554**	393,936	**1,712,700**	1,031,058
Other income				
Loss on disposal of property, plant and equipment	**-**	-	**1,264**	-
General administrative expenses				
Management and administration wages (note 18)	**145,355**	68,674	**268,825**	146,907
Other operating expenses	**201,641**	29,964	**236,719**	73,373
Legal and audit	**55,155**	31,553	**128,035**	52,098
Stock-based compensation (note 16(d))	**31,621**	2,500	**53,161**	5,447
Shareholder communication and public relations	**93,044**	38,576	**123,357**	53,361
Transfer agent	**11,975**	18,737	**14,754**	20,801
Director fees (note 18)	**10,750**	10,000	**20,500**	19,000
General office	**2,036**	609	**4,116**	904
Accretion expenses (note 15)	**41,998**	-	**52,149**	-
Bank interest and fees	**31,271**	26,628	**52,618**	47,215
	644,217	243,444	**991,086**	447,824
Foreign exchange loss (gain)	**(4,047)**	31,768	**951**	(21,631)
	640,170	275,212	**992,037**	426,193
Net income for the period	**1,039,384**	118,724	**$ 719,399**	$ 604,865
Basic net income per share (note 17)	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.00
Weighted average number of common shares outstanding	**235,650,055**	195,219,169	**235,650,055**	192,469,021
Diluted net income per share (note 17)	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.00
Weighted average number of common shares outstanding	**292,722,582**	195,219,169	**292,448,331**	192,469,021

Galantas Gold Corporation

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income (continued)
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010** (note 21 (v))
Net income for the period	$ **1,039,384**	$ 118,724	**$ 719,399**	$ 604,865
Other comprehensive income (loss)				
Foreign currency translation differences	$ **(58,349)**	$ 108,532	**$ (46,853)**	$ (176,378)

Total comprehensive income	$	**981,035**	$	227,256	**$**	**672,546**	$	428,487

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Galantas Gold Corporation

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2011	**2010** (note 21(v))	**2011**	**2010** (note 21(v))
Operating activities				
Net income for the period	**$ 1,039,384**	$ 118,724	**$ 719,399**	$ 604,865
Adjustment for:				
Amortization and depreciation	**241,727**	156,416	**381,860**	445,886
Stock-based compensation (note 16(d))	**31,621**	2,500	**53,161**	5,447
Foreign exchange	**3,864**	173,493	**951**	123,825
Loss on disposal of property, plant and equipment	**-**	-	**1,264**	-
Accretion expenses	**41,998**	-	**52,149**	-
Non-cash working capital items:				
Accounts receivable and advances	**(404,252)**	(248,672)	**(1,011,582)**	(459,207)
Inventory	**34,657**	(14,739)	**59,392**	20,051
Accounts payable and accrued liabilities	**217,843**	22,068	**949,670**	(506,174)
Net cash provided by operating activities	**1,206,842**	209,790	**1,206,264**	234,693
Investing activities				
Purchase of property, plant and equipment	**(599,955)**	(790)	**(1,316,803)**	(2,286)
Proceeds from sale of property, plant and equipment	**(122)**	-	**18,592**	-
Deferred development and exploration costs	**(314,194)**	(753)	**(427,390)**	(5,020)
Long term deposit	**-**	(118,890)	**-**	(118,890)
Net cash used in investing activities	**(914,271)**	(120,433)	**(1,725,601)**	(126,196)
Financing activities				
Issue of common shares	**-**	1,033,067	**-**	1,033,067
Net repayments of financing facility	**(12,585)**	(15,700)	**(31,266)**	(42,852)
(Repayments) advances from related party	**77,643**	(96,235)	**57,563**	(36,239)
Proceeds from convertible debenture	**-**	-	**1,953,750**	-
Financing charges related to convertible debenture	**-**	-	**(14,594)**	-
Net cash provided by financing activities	**65,058**	921,132	**1,965,453**	953,976
Net change in cash	**357,629**	1,010,489	**1,446,116**	1,062,473

Effect of exchange rate changes on cash held in foreign currencies	**(37,242)**	(95,436)	**(54,880)**	(38,612)
Cash, beginning of period	**3,732,647**	594,805	**2,661,798**	485,997
Cash, end of period	**$ 4,053,034**	$ 1,509,858	**$ 4,053,034**	$ 1,509,858

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Galantas Gold Corporation

Condensed Consolidated Interim Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

		Reserves					
	Share capital	**Equity settled share-based payments reserve**	**Warrant reserve**	**Foreign currency translation reserve**	**Equity portion of convertible debenture**	**Deficit**	**Total**
Balance, January 1, 2010	**$ 26,530,787**	**$ 3,962,831**	**$ 47,010**	**$ -**	**$ -**	**$(27,932,230)**	**$ 2,608,398**
Shares issued under private placement	1,050,000	-	-	-	-	-	1,050,000
Warrants issued	(411,764)	-	411,764	-	-	-	-
Share issue costs	(16,934)	-	-	-	-	-	(16,934)
Warrants expired	-	47,010	(47,010)	-	-	-	-
Stock-based compensation	-	5,447	-	-	-	-	5,447
Net income and comprehensive loss for the period	-	-	-	(176,378)	-	604,865	428,487
Balance, June 30, 2010	**27,152,089**	**4,015,288**	**411,764**	**(176,378)**	**-**	**(27,327,365)**	**4,075,398**
Shares issued under private placements	1,227,500	-	-	-	-	-	1,227,500
Warrants issued	(564,650)	-	564,650	-	-	-	-
Share issue costs	(6,623)	-	-	-	-	-	(6,623)
Stock-based compensation	-	53,757	-	-	-	-	53,757
Net income and comprehensive income for the period	-	-	-	(87,642)	-	145,335	57,693
Balance, December 31, 2010	**27,808,316**	**4,069,045**	**976,414**	**(264,020)**	**-**	**(27,182,030)**	**5,407,725**
Convertible debenture (note 15)	-	-	-	-	168,082	-	168,082
Stock-based compensation (note 16(d))	-	53,161	-	-	-	-	53,161
Net loss and comprehensive income for the period	-	-	-	(46,853)	-	719,399	672,546
Balance, June 30, 2011	**$ 27,808,316**	**$ 4,122,206**	**$ 976,414**	**$ (310,873)**	**$ 168,082**	**$(26,462,631)**	**$ 6,301,514**

The notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

1. Going Concern

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates that Galantas Gold Corporation (the "Company") will be able to realize assets and discharge liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Company's future viability depends on the consolidated results of the Company's wholly-owned subsidiary Cavanacaw Corporation ("Cavanacaw"), the ability of the Company to obtain future financing and to recover its investment in Omagh Minerals Limited ("Omagh"). Cavanacaw has a 100% shareholding in Omagh which is engaged in the acquisition, exploration and development of gold properties, mainly in Omagh, Northern Ireland.

As at December 31, 2001, studies performed on Omagh's mineral property confirmed the existence of economically recoverable reserves. As at July 1, 2007, the mineral property was in the production stage and the directors believe that the capitalized development expenditures will be fully recovered by the future operation of the mine. The recoverability of Omagh's capitalized development costs is thus dependent on the ability to secure financing, future profitable production or proceeds from the disposition of the mineral property. While the Company is expending its best efforts in this regard, the outcome of these matters can not be predicted at this time.

As at June 30, 2011, the Company had a deficit of $26,462,631 (December 31, 2010 - $27,182,030). Management is confident that it will be able to secure the required financing to enable the Company to continue as a going concern. However, this is subject to a number of factors including market conditions. These unaudited condensed consolidated interim financial statements do not reflect adjustments to the carrying values of assets and liabilities, the reported expenses and financial position classifications used that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

2. Incorporation and Nature of Operations

The Company was formed on September 20, 1996 under the name Montemor Resources Inc. on the amalgamation of 1169479 Ontario Inc. and Consolidated Deer Creek Resources Limited. The name was changed to European Gold Resources Inc. by articles of amendment dated July 25, 1997. On May 5, 2004, the Company changed its name from European Gold Resources Inc. to Galantas Gold Corporation. The Company was incorporated to explore for and develop mineral resource properties, principally in Europe. In 1997, it purchased all of the shares of Omagh which owns a mineral property in Northern Ireland, including a delineated gold deposit. Omagh obtained full planning and environmental consents necessary to bring its property into production.

The Company entered into an agreement on April 17, 2000, approved by shareholders on June 26, 2000, whereby Cavanacaw, a private Ontario corporation, acquired Omagh. Cavanacaw has established an open pit mine to extract the Company's gold deposit near Omagh. Cavanacaw also has developed a premium jewellery business founded on the gold produced under the name Galántas Irish Gold Limited ("Galántas").

As at July 1, 2007, the Company's Omagh mine began production.

The Company's operations include the consolidated results of Cavanacaw and its wholly-owned subsidiaries Omagh and Galántas.

The Company’s common shares are listed on the TSX Venture Exchange and London Stock Exchange AIM under the symbol GAL. The primary office is located at 360 Bay Street, Suite 500, Toronto, Ontario, Canada, M5H, 2V6.

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on August 23, 2011.

3. Basis of Preparation

(a) Statement of compliance and conversion to International Financial Reporting Standards ("IFRS")

IFRS will replace current Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

These are the Company’s second IFRS unaudited condensed consolidated interim financial statements for the second quarter of the second IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011. IFRS 1, First-Time Adoption of IFRS ("IFRS 1") has been applied and the impact of the transition from Canadian GAAP to IFRS is explained in note 21.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). They do not include all of the information required for full annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS financial position at January 1, 2010 (note 21) for the purposes of the transition to IFRS, as required by IFRS 1. The accounting policies have been applied consistently by the Company and its subsidiaries.

(b) Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis with the exception of certain financial instruments, which are measured at fair value. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed consolidated interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 3(e).

(c) Basis of consolidation

The unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statement of comprehensive (loss) income from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

3. Basis of Preparation (Continued)

(c) Basis of consolidation (Continued)

The following companies have been consolidated within the unaudited condensed consolidated interim financial statements:

Company	Registered	Principal activity
Galantas Gold Corporation	Ontario, Canada	Parent company
Cavanacaw Corporation [(1)]	Ontario, Canada	Holding company
Omagh Minerals Limited [(2)(3)]	Ireland, Europe	Operating company
Galántas Irish Gold Limited [(2)(4)]	Ireland, Europe	Operating company

[(1)] 100% owned by Galantas Gold Corporation;
[(2)] 100% owned by Cavanacaw Corporation;
[(3)] Referred to as Omagh (as defined herein); and
[(4)] Referred to as Galántas (as defined herein).

(d) Functional and presentation currency

The unaudited condensed consolidated interim financial statements are presented in Canadian Dollars ("CAD"), which is the Company's presentation currency.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the subsidiaries is the U.K. pound sterling (GBP).

Assets and liabilities of entities with functional currencies other than CAD are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are recognized as a separate component of equity.

The rates used for the translation were obtained from the official website of the Bank of Canada.

	Six months ended June 30, 2011	Year ended December 31, 2010	Six months ended June 30, 2010	As at January 1, 2010
Closing rate	1.5493	1.5513	1.5852	1.6918
Average for the period/year	1.5794	1.5918	1.5793	-

3. Basis of Preparation (Continued)

(e) Use of estimates and judgments

The preparation of these unaudited condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable that are included in the unaudited condensed consolidated interim statements of financial position;
- the recoverability of deferred development and exploration costs incurred on the Omagh mine;
- the estimated life of the ore body based and the estimated recoverable ounces or pounds mined from proven and probable reserves of deferred development and exploration costs which are included in the unaudited condensed consolidated interim statements of financial position and the related amortization and depreciation included in profit or loss;
- the estimated useful lives and residual value of property, plant and equipment which are included in the unaudited condensed consolidated interim statement of financial position and the related amortization and depreciation included in profit or loss;
- the inputs used in accounting for stock-based compensation transactions in profit or loss;
- Management applied judgment in determining the functional currency and presentation currency based on the facts and circumstances that existed during the period;
- Management assumption of amount of material restoration, rehabilitation and environmental, based on the facts and circumstances that existed during the period; and
- Management's position that there is no income tax considerations required within these unaudited condensed consolidated interim financial statements.

Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

4. Significant Accounting Policies

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Operations at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. 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 in retranslation are recognized in profit and loss, except for differences arising on the retranslation of available-for-sale

equity instruments which are recognised in other comprehensive (loss) income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

(b) Financial assets

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	Fair value through profit or loss
Accounts receivable and advances	Loans and receivables
Long-term deposit	Fair value through profit or loss
Financial liabilities:	**Classification:**
Accounts payable and other liabilities	Other financial liabilities
Financing facility	Other financial liabilities
Due to related parties	Other financial liabilities
Convertible debenture	Other financial liabilities

Fair value through profit or loss (FVTPL):

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of income (loss).

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

4. Significant Accounting Policies (Continued)

(b) Financial assets (Continued)

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 - that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of June 30, 2011, December 31, 2010 and January 1, 2010, the fair value of all the Company's financial instruments approximates the carrying value, due to their short-term nature.

(c) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, other than inventory, with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset’s fair value less cost to

sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

4. Significant Accounting Policies (Continued)

(d) Property, plant and equipment

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property, plant and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Buildings	4%	Straight line
Plant and machinery	20%	Declining balance
Motor vehicles	25%	Declining balance
Office equipment	15%	Declining balance
Moulds	25%	Straight line
Deferred development and exploration costs		Units of production
Deferred till stripping costs		Units of production

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

(e) Deferred development and exploration costs

Deferred development and exploration costs are capitalized until results of the related projects, based on geographic areas, are known. If a project is successful, the related expenditures will be amortized using the units-of-production method over the estimated life of the ore body based on estimated recoverable ounces or pounds mined from proven and probable reserves. Provision for loss is made where a project is abandoned or considered to be of no further interest to the Company, or where the directors consider such a provision to be prudent. As of July 1, 2007, the Company started production at the Omagh mine and has begun amortization.

(f) Stripping costs

Till stripping costs involving the removal of overburden are capitalized where the underlying ore will be extracted in future periods. The Company defers these till stripping costs and amortizes them on a unit of production basis as the underlying ore is extracted.

(g) Inventory

Inventories are comprised of finished goods, concentrate inventory, work-in-process amounts and stockpiled ore.

All inventories are recorded at the lower of production costs on a first-in, first-out basis, and net realizable value. Production costs include costs related to mining, crushing, mill processing, as well as depreciation on production assets and certain allocations of mine-site overhead expenses attributable to the manufacturing process. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

4. Significant Accounting Policies (Continued)

(h) Revenue recognition

Revenue from sales of finished goods is recognized at the time of shipment when significant risks and rewards of ownership are considered to be transferred, the terms are fixed or determinable, collection is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement in the goods, and the amount of revenue can be measured reliably.

Revenue from sales of gold concentrate is recognized at the time of shipment when title passes and significant risks and benefits of ownership are considered to be transferred. The final revenue figure at the end of any given period is subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes.

(i) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at June 30, 2011, December 31, 2010 and January 1, 2010.

(j) Share-based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(k) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

4. Significant Accounting Policies (Continued)

(k) Income taxes (Continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

(l) Asset retirement obligation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has recorded an asset retirement obligation in the amount of GBP 250,000, equal to the amount of the bond that is required by the Crown in Northern Ireland.

(m) Earnings per share

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(n) Future accounting changes

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board or International Financial Reporting Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

4. Significant Accounting Policies (Continued)

(n) Future accounting changes (Continued)

(i) IFRS 9 – Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

(ii) IFRS 10 – Consolidated financial statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013. Earlier adoption is permitted.

(iii) IFRS 11 – Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) IFRS 12 – Disclosure of interests in other entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) IFRS 13 – Fair value measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorised under Level 3 of the fair value hierarchy to significant unobservable inputs;
- and information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

4. Significant Accounting Policies (Continued)

(n) Future accounting changes (Continued)

(vi) IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

5. Capital Risk Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserves and deficit which at June 30, 2011 totaled $6,301,514 (December 31, 2010 - $5,407,725). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its gold production activities. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended June 30, 2011. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

6. Financial Risk Management

Property risk

The Company's significant project is the Omagh Mine. Unless the Company acquires or develops additional significant projects, the Company will be solely dependent upon the Omagh Mine. If no additional projects are acquired by the Company, any adverse development affecting the Omagh Mine would have a material effect on the Company's consolidated financial condition and results of operations.

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, accounts receivable and long-term deposit. Cash and long-term deposit are held with reputable financial institutions and the United Kingdom Crown, respectively, from which management believes the risk of loss to be minimal. Accounts receivable consist mainly of a trade account receivable from one customer and Value Added Tax receivable. The Company is exposed to concentration of credit risk with one of its customers. Management believes that the credit risk is minimized due to the financial worthiness of this company. Valued Added Tax receivable is collectable from the Government of Northern Ireland. The Company does not have derivative financial instruments. No trade accounts receivable balances are past due or impaired.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company manages liquidity risk by monitoring maturities of financial commitments and maintaining adequate cash reserves and available borrowing facilities to meet these commitments as they come due. As at June 30, 2011, the Company had negative working capital. All of the Company's financial liabilities have contractual maturities of less than 30 days other than the financing facility, convertible debenture and certain related party loans. The Company is using operating cash flows to manage and seeking additional capital to increase liquidity. As at June 30, 2011, the Company was cash flow positive.

6. Financial Risk Management (Continued)

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and significant interest-bearing debt. The Company is exposed to interest rate risk on the financing facility and certain related party loans which bear interest at variable rates.

(b) Foreign currency risk

Certain of the Company's expenses and revenues are incurred and received in the currencies of Northern Ireland and the United Kingdom and are therefore subject to gains and losses due to fluctuations in these currencies against the functional currency.

(c) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to gold to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a three month period:

(i) The financing facility, convertible debenture and certain related party loans are subject to interest rate risk. As at June 30, 2011, if interest rates had decreased/increased by 1% with all other variables held constant, the net income for the three and six months ended June 30, 2011, would have been approximately $11,000 and $22,000 lower/higher respectively, as a result of lower/higher interest rates from the term loan facility, convertible debenture and certain related party loans. Similarly, as at June 30, 2011, shareholders' equity would have been approximately $22,000 higher/lower as a result of a 1% decrease/increase in interest rates from the term loan facility, convertible debenture and certain related party loans.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and advances, long-term deposit, accounts payable and accrued liabilities, due to related parties, financing facility and convertible debenture that are denominated in British pounds. As at June 30, 2011, had the British pound weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, the Company's comprehensive income for the three and six months ended June 30, 2011 would have been approximately $85,000

higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at June 30, 2011, shareholders' equity would have been approximately $85,000 lower/higher had the British pound weakened/strengthened by 5% against the Canadian dollar as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

6. Financial Risk Management (Continued)

Sensitivity analysis (Continued)

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce production of its mineral resources, which could have a material and adverse effect on the Company's value. Net income would be impacted by changes in average realized gold prices. Sensitivity to a plus or a minus 10% change in average realized gold prices would affect net income and shareholders' equity by approximately $426,000.

7. Categories of Financial Instruments

	As at June 30, 2011	As at December 31, 2010	As at January 1, 2010
Financial assets:			
Fair value through profit and loss			
Cash	**$ 4,053,034**	$ 2,661,798	$ 485,997
Long-term deposit	**302,114**	302,504	84,590
Loans and receivables			
Accounts receivable and advances	**1,762,815**	751,233	657,515
Financial liabilities:			
Other financial liabilities			
Accounts payable and other liabilities	**2,077,473**	1,127,803	1,831,010
Financing facility	**-**	31,266	77,830
Due to related parties	**3,015,466**	2,957,903	3,382,332
Convertible debenture	**1,816,168**	-	-

As of June 30, 2011, December 31, 2010 and January 1, 2010, the fair value of all the Company's financial instruments approximates the carrying value, due to their short-term nature.

8. Cash Position

	As at June 30, 2011	As at December 31, 2010	As at January 1, 2010
Cash	**$ 4,053,034**	$ 2,661,798	$ 485,997
Long-term deposit	**302,114**	302,504	84,590
Total cash position	**$ 4,355,148**	$ 2,964,302	$ 570,587

9. Accounts Receivable and Advances

	As at June 30, 2011	As at December 31, 2010	As at January 1, 2010
Sales tax receivable - Canada	**$ 18,182**	$ 13,868	$ 8,079
Sales tax receivable - Ireland	**420,977**	148,943	84,160
Accounts receivable	**1,211,294**	544,978	553,420
Prepaid expenses	**112,362**	43,444	11,856
	$ 1,762,815	$ 751,233	$ 657,515

10. Inventory

	As at June 30, 2011	As at December 31, 2010	As at January 1, 2010
Concentrate inventory	**$ 20,373**	$ 75,081	$ 33,990
Finished goods	**331,840**	336,524	411,676
	$ 352,213	$ 411,605	$ 445,666

11. Property, Plant and Equipment

	June 30, 2011		
	Cost	Accumulated Amortization	Net
Freehold land and buildings	$ 2,203,252	$ 1,163,032	**$ 1,040,220**

Plant and machinery	5,576,567	3,246,413	**2,330,154**
Motor vehicles	51,771	43,425	**8,346**
Office equipment	61,857	36,965	**24,892**
Moulds	56,353	56,353	**-**
	$ 7,949,800	$ 4,546,188	**$ 3,403,612**

11. Property, Plant and Equipment (Continued)

	December 31, 2010		
	Cost	**Accumulated Amortization**	**Net**
Freehold land and buildings	$ 2,196,272	$ 1,156,355	$ 1,039,917
Plant and machinery	4,318,386	3,090,165	1,228,221
Motor vehicles	48,891	42,628	6,263
Office equipment	60,335	35,128	25,207
Moulds	56,425	56,425	-
	$ 6,680,309	$ 4,380,701	$ 2,299,608

	January 1, 2010		
	Cost	**Accumulated Amortization**	**Net**
Freehold land and buildings	$ 2,395,185	$ 1,238,306	$ 1,156,879
Plant and machinery	4,405,702	3,200,070	1,205,632
Motor vehicles	51,507	44,696	6,811
Office equipment	43,699	33,252	10,447
Moulds	61,536	61,536	-
	$ 6,957,629	$ 4,577,860	$ 2,379,769

12. Deferred Development and Exploration Costs

	June 30, 2011		
	Cost	**Accumulated Amortization**	**Net**

	Cost	Accumulated Amortization	Net
Deferred development and exploration costs	$ 9,082,502	$ 5,358,344	**$ 3,724,158**

	December 31, 2010		
	Cost	**Accumulated Amortization**	**Net**
Deferred development and exploration costs	$ 8,665,868	$ 5,180,094	**$ 3,485,774**

	January 1, 2010		
	Cost	**Accumulated Amortization**	**Net**
Deferred development and exploration costs	$ 9,427,286	$ 5,124,202	**$ 4,303,084**

13. Accounts Payable and Other Liabilities

	As at June 30, 2011	As at December 31, 2010	As at January 1, 2010
Falling due within the year			
Trade payables	**$ 2,077,473**	$ 1,127,803	$ 1,831,010

14. Financing Facility

Amounts payable on the long-term debt are as follow:

	Interest	As at June 30, 2011	As at December 31, 2010	As at January 1, 2010
Financing facility (119,160 GBP)	4.03 %	**$ -**	$ 31,266	$ 111,932
Less current portion		**-**	(31,266)	(77,830)
		$ -	$ -	$ 34,102

15. Convertible Debenture

On March 10, 2011, the Company entered into a convertible unsecured loan agreement (the “Loan Agreement”) with Kenglo One Limited of Jersey, Channel Islands (“Kenglo”). The loan amount agreed to be advanced under the Loan Agreement is GBP 1,250,000 (the “Loan”). The Loan Agreement remains subject to the approval of the Exchange.

The Loan carries interest of 2% per annum above the base rate of Barclays Bank. The Loan shall become repayable upon exercise by Kenglo of the previously issued warrants of the Company held by Kenglo (the “Warrants”), subject to the terms of the Warrants and the Loan Agreement. If the Warrants are not exercised by Kenglo by the applicable expiry dates of the Warrants (being June 8, 2012 and July 22, 2012, as applicable), the Company shall issue shares (“Loan Shares”) to Kenglo, in lieu of a cash repayment of the Loan, in accordance with the terms of the Loan Agreement. The number of Loan Shares to be issued upon the Loan conversion shall be determined in accordance with the terms of the Loan Agreement, subject to the minimum conversion price of $0.10 per share. The Loan Shares will be subject to a four month resale restriction period imposed under the policies of the Exchange and applicable securities legislation. There are no finder’s fees or any bonus (whether in the form of cash or securities) payable in connection with the Loan Agreement.

The Loan is classified as a liability, with the exception of the portion relating to the conversion features, resulting in the carrying value of the Loan being less than its face value. The fair value of the conversion option associated with the convertible note on the date of issuance was estimated at $169,347. The discount is being accreted over the term of the Loan Agreement, utilizing the effective interest rate method at a 10% discount rate. For the three and six months ended June 30, 2011, accretion of the discount totalled $41,998 and $52,149.

Financing charges associated with the Loan were prorated between the debt and equity component of the Loan. Those allocated to the debt portion of the Loan were deferred and are being accreted over the term of the Loan Agreement. For the three and six months ended June 30, 2011, $nil and $613 in deferred financing charges were accreted to operations.

15. Convertible Debenture (Continued)

	Convertible debenture	Equity portion of convertible debenture
Balance, January 1, 2010 and December 31, 2010	$ -	$ -
Proceeds from issuance	1,953,750	-
Fair value of conversion option	(169,347)	169,347
Financing charges	(13,329)	(1,265)
Accretion charges - effective interest rate	52,149	-
Accretion charges - transaction costs	613	-
Interest expenses	15,043	-
Foreign exchange	(22,711)	-
Balance, June 30, 2011	**$ 1,816,168**	**$ 168,082**

16. Share Capital and Reserves

a) **Authorized share capital**

At June 30, 2011, the authorized share capital consisted of unlimited number of common and preference shares issuable in Series. The common shares do not have a par value. All issued shares are fully paid.

b) **Common shares issued**

At June 30, 2011, the issued share capital amounted to $27,808,316. The change in issued share capital for the periods was as follows:

	Number of common shares		Amount
Balance, January 1, 2010	190,100,055	$	26,530,787
Issued under private placements	45,550,000		2,277,500
Warrants issued	-		(976,414)
Share issue costs	-		(23,557)
Balance, December 31, 2010 and June 30, 2011	**235,650,055**	**$**	**27,808,316**

16. **Share Capital and Reserves (Continued)**

c) **Warrant reserve**

The following table shows the continuity of warrants for the period ended June 30, 2011:

	Number of warrants		Weighted average price
Balance, January 1, 2010	3,134,200	$	0.09
Issued	45,550,000		0.10
Expired	(3,134,200)		(0.09)
Balance, December 31, 2010 and June 30, 2011	**45,550,000**	**$**	**0.10**

As at June 30, 2011, the following warrants were outstanding:

Expiry date	Number of warrants	Fair value ($)	Exercise price ($)
June 8, 2012	21,000,000	411,764	0.10
July 22, 2012	24,550,000	564,650	0.10
	45,550,000	976,414	0.10

(d) Stock options

The Company has a stock option plan (the "Plan"), the purpose of which is to attract, retain and compensate qualified persons as directors, senior officers and employees of, and consultants to the Company and its affiliates and subsidiaries by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Company. The number of shares reserved for issuance under the Plan cannot be more than a maximum of 10% of the issued and outstanding shares at the time of any grant of options. The period for exercising an option shall not extend beyond a period of five years following the date the option is granted.

Insiders of the Company are restricted on an individual basis from holding options which when exercised would entitle them to receive more than 5% of the total issued and outstanding shares at the time the option is granted. The exercise price of options granted in accordance with the Plan must not be lower than the closing price of the shares on the Exchange immediately preceding the date on which the option is granted and in no circumstances may it be less than the permissible discounting in accordance with the Corporate Finance Policies of the Exchange.

The Company records a charge to the statement of comprehensive (loss) income using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk-free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to the historic traded daily closing share price at the date of issue.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

16. Share Capital and Reserves (Continued)

(d) Stock options (Continued)

The following table shows the continuity of stock options for the period ended June 30, 2011:

	Number of	Weighted average

	options		price
Balance, January 1, 2010	8,650,000	$	0.14
Expired	(200,000)		(0.10)
Cancelled	(1,150,000)		(0.20)
Granted	3,500,000		0.10
Balance, December 31, 2010	10,800,000		0.13
Granted (i) (ii)	750,000		0.10
Balance, June 30, 2011	**11,550,000**	**$**	**0.12**

Stock-based compensation expense includes $16,625 and $33,250 (three and six months ended June 30, 2010 - $2,500 and $5,447) relating to stock options granted in previous years that vested during the three and six months ended June 30, 2011.

(i) On January 28, 2011, 250,000 stock options were granted to a consultant of the Company to purchase common shares at a price of $0.10 per share until January 28, 2016. The options vest one-third upon grant, one-third on the first anniversary of grant and one-third on the second anniversary of grant. The fair value attributed to these options was $11,750 and will be expensed in the statements of operations and credited to equity settled share-based payment reserve as the options vest. During the three and six months ended June 30, 2011, included in stock-based compensation is $1,469 and $6,384 related to the vested portion of these options.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 141.25%; risk-free interest rate - 2.53% and an expected life of 5 years.

(ii) On April 5, 2011, 500,000 stock options were granted to a consultant of the Company to purchase common shares at a price of $0.10 per share until April 5, 2013. The options vest one quarter equally over 3, 6, 9, and 12 months from the date of the grant. The fair value attributed to these options was $27,500 and will be expensed in the statements of operations and credited to equity settled share-based payment reserve as the options vest. During the three and six months ended June 30, 2011, included in stock-based compensation is $13,527 and $13,527 related to the vested portion of these options.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 151.35%; risk-free interest rate - 1.81% and an expected life of 2 years.

16. Share Capital and Reserves (Continued)

(d) Stock options (Continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2011:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)	Number of Options Unvested
June 15, 2012	0.23	0.96	500,000	500,000	-
December 24, 2012	0.14	1.49	5,300,000	5,300,000	-
October 2, 2013	0.10	2.26	1,500,000	1,500,000	-
November 23, 2015	0.10	4.40	3,500,000	1,166,667	2,333,333
January 28, 2016	0.10	4.58	250,000	83,333	166,667
April 5, 2013	0.10	1.77	500,000	-	500,000
	0.13	2.45	11,550,000	8,550,000	3,000,000

17. Net Income per Common Share

The calculation of basic and diluted income per share for the three and six months ended June 30, 2011 and 2010 was based on the income attributable to common shareholders of $1,039,384 and $719,399 (three and six months ended June 30, 2010 - $118,724 and $604,865) and the weighted average number of common shares outstanding of 235,650,055 and 235,650,055 for basic income per share and 292,722,582 and 292,448,331 for diluted income per share for the three and six months ended June 30, 2011 (three and six months ended June 30, 2010 - 195,219,169 and 192,469,021 for both basic and diluted income per share).

18. Related Party Balances and Transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

(a) The Company entered into the following transactions with related parties:

	Notes	Three Months Ended June 30, 2011	2010	Six Months Ended June 30, 2011	2010
Director fees	(i)	$ 10,750	$ 10,000	$ 20,500	$ 19,000
Director remuneration	(i)	78,950	16,164	157,940	31,586
Rent of mining equipment with G&F Phelps	(ii)	-	-	42,641	85,282
Interests on related party loans	(iii)	16,598	18,904	33,023	35,995

18. Related Party Balances and Transactions (continued)

(i) As at June 30, 2011, due to directors amounted to $386,205 (GBP 249,277) (December 31, 2010 - $169,522 - GBP 109,277), and is included with due to related parties.

(ii) During 2009, the Company signed an agreement for the rent of mining equipment with G&F Phelps Limited ("G&F Phelps"), a Company controlled by a director of the Company. In January 2011, Omagh Minerals Limited, the operator of the Omagh mine acquired this mining equipment at a cost of GBP 192,500, exclusive of VAT. At June 30, 2011, the Company has accrued charges of $nil (December 31, 2010 - $137,741 - GBP 88,791), payable to G&F Phelps for the rent of the mining equipment which is currently due and is included with due to related parties.

(iii) G&F Phelps, a company controlled by director of the Company, had amalgamated loans to Galantas of $2,612,975 (GBP 1,686,552) (December 31, 2010 - $2,616,349 - GBP 1,686,552) bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture on all the Company's assets. Interest accrued on related party loans is included with due to related parties. As at June 30, 2011, the amount of interest accrued is $16,286 (GBP 10,512) (December 31, 2010 - $34,291 - GBP 22,105).

19. Segment Disclosure

The Company, after reviewing its reporting systems, has determined that it has one reportable segment. The Company's operations are substantially all related to its investment in Cavanacaw and its subsidiaries, Omagh and Galantas. Substantially all of the Company's revenues, costs and assets of the business that support these operations are derived or located in Northern Ireland.

20. Contingent Liability

During the year ended December 31, 2010, the Company's subsidiary Omagh received a payment demand from Her Majesty's Revenue and Customs in the amount of $516,151 (GBP 333,151) in connection with an aggregate levy arising from the removal of waste rock from the mine site during 2008 and early 2009. The Company believes this claim is without merit. An appeal has been lodged and the Company's subsidiary Omagh intends to vigorously defend itself against this claim. No provision has been made for the claim in the unaudited condensed consolidated interim financial statements.

21. Conversion to IFRS

(i) Overview

IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011.

These are the Company's second unaudited condensed consolidated interim financial statements prepared in accordance with IAS 34, using accounting policies consistent with IFRS.

The accounting policies described in note 4 have been selected to be consistent with IFRS as is expected to be effective or available for early adoption on December 31, 2011, the Company's first annual IFRS reporting date. These policies have been applied in the preparation of these unaudited condensed consolidated interim financial statements, including all comparative information.

(ii) First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS consolidated statement of financial position as at January 1, 2010, the Company's "Transition Date".

- To apply IFRS 2, Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3, Business Combinations prospectively from the Transition Date, therefore, not restating business combinations that took place prior to the Transition Date.
- To apply IAS 21, The Effects of Changes in Foreign Exchange Rates prospectively from the Transition Date. The Company elected to reset all cumulative translation gains and losses to zero in opening deficit at its Transition Date.
- To apply IAS 23, Borrowing Costs ("IAS 23") prospectively from the Transition Date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS consolidated statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company's Transition Date IFRS unaudited consolidated statement of financial position is included as comparative information in the unaudited condensed consolidated interim statements of financial position in these unaudited condensed consolidated interim financial statements.

21. Conversion to IFRS (Continued)

(iii) Changes to accounting policies

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

(a) Impairment of (non-financial) assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

Also, IFRS requires reversal of impairment losses for assets other than goodwill if certain criteria are met. Canadian GAAP does not permit reversal of impairment.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the unaudited condensed consolidated interim financial statements.

(b) Decommissioning liabilities (asset retirement obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the unaudited condensed consolidated interim financial statements.

(c) Cumulative translation differences

IFRS requires that the functional currency of each entity in the consolidated Group be determined separately in accordance with the indicators as per IAS 21 – Foreign exchange and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The group's functional currency is the GBP except for Galantas Gold Corporation (parent company) which has Canadian dollar as the functional currency. The consolidated financial statements are presented in Canadian dollars which is the group's presentation currency.

Under IFRS, the results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

21. Conversion to IFRS (Continued)

(iii) Changes to accounting policies (Continued)

(d) Reserves

Under Canadian GAAP – Prior to 2011, the Company recorded the value of warrants issued to warrants and share based payments to contributed surplus.

Under IFRS – IFRS requires an entity to present for each component of equity, reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share based payments" and any other component of equity.

(iv) Presentation

Certain amounts in the unaudited condensed consolidated interim statements of financial position, statements of comprehensive (loss) income and statements of cash flows have been reclassified to conform to the presentation adopted under IFRS.

Galantas Gold Corporation
Notes to Condensed Consolidated Interim Financial Statements
June 30, 2011
(Expressed in Canadian Dollars)
(Unaudited)

21. Conversion to IFRS (Continued)

(v) Reconciliation between IFRS and Canadian GAAP

The January 1, 2010 Canadian GAAP consolidated balance sheet has been reconciled to IFRS as follows:

	January 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash	$ 485,997	$ -	**$ 485,997**
Accounts receivable and advances	657,515	-	**657,515**
Inventory	445,666	-	**445,666**
Total current assets	1,589,178	-	**1,589,178**
Non-current assets			
Property, plant and equipment (note 21(iii)(c))	3,691,172	(1,311,403)	**2,379,769**
Long-term deposit (note 21(iii)(c))	118,818	(34,228)	**84,590**
Deferred development and exploration costs (note 21(iii)(c))	6,547,135	(2,244,051)	**4,303,084**
Total assets	$ 11,946,303	$ (3,589,682)	**$ 8,356,621**
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (note 21(iii)(c))	$ 1,840,788	$ (9,778)	**$ 1,831,010**
Current portion of financing facility	77,830	-	**77,830**
Due to related party	3,382,332	-	**3,382,332**
Total current liabilities	5,300,950	(9,778)	**5,291,172**
Non-current liabilities			
Asset retirement obligation (note 21(iii)(c))	447,400	(24,451)	**422,949**
Long-term portion of financing facility	34,102	-	**34,102**
Total liabilities	5,782,452	(34,229)	**5,748,223**
Capital and reserves			
Share capital	26,530,787	-	**26,530,787**
Reserves (note 21(iii)(d))	4,009,841	-	**4,009,841**
Deficit (note 21(iii)(c))	(24,376,777)	(3,555,453)	**(27,932,230)**
Total equity	6,163,851	(3,555,453)	**2,608,398**
Total equity and liabilities	$ 11,946,303	$ (3,589,682)	**$ 8,356,621**

(Unaudited)

21. Conversion to IFRS (Continued)

(v) Reconciliation between IFRS and Canadian GAAP (Continued)

The March 31, 2010 Canadian GAAP consolidated balance sheet has been reconciled to IFRS as follows:

	June 30, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
ASSETS			
Current assets			
Cash	$ 1,509,858	$ -	**$ 1,509,858**
Accounts receivable and advances	1,116,722	-	**1,116,722**
Inventory	425,615	-	**425,615**
Total current assets	3,052,195	-	**3,052,195**
Non-current assets			
Property, plant and equipment (note 21(iii)(c))	3,570,217	(1,461,675)	**2,108,542**
Long-term deposit (note 21(iii)(c))	237,708	(118,818)	**118,890**
Deferred development and exploration costs (note 21(iii)(c))	6,226,382	(2,509,677)	**3,716,705**
Total assets	$ 13,086,502	$ (4,090,170)	**$ 8,996,332**
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (note 21(iii)(c))	$ 1,591,223	$ (188,435)	**$ 1,402,788**
Current portion of financing facility	54,861	-	**54,861**
Due to related party	2,932,049	120,717	**3,052,766**
Total current liabilities	4,578,133	(67,718)	**4,510,415**
Non-current liabilities			
Asset retirement obligation (note 21(iii)(c))	447,400	(51,100)	**396,300**
Long-term portion of financing facility	14,219	-	**14,219**
Total liabilities	5,039,752	(118,818)	**4,920,934**
Capital and reserves			
Share capital	27,152,089	-	**27,152,089**
Reserves (note 21(iii)(c)(d))	4,427,052	(176,378)	**4,250,674**
Deficit (note 21(iii)(c))	(23,532,391)	(3,794,974)	**(27,327,365)**
Total equity	8,046,750	(3,971,352)	**4,075,398**
Total equity and liabilities	$ 13,086,502	$ (4,090,170)	**$ 8,996,332**

21. Conversion to IFRS (Continued)

(v) Reconciliation between IFRS and Canadian GAAP (Continued)

The December 31, 2010 Canadian GAAP consolidated balance sheet has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
ASSETS			
Current assets			
Cash	$ 2,661,798	$ -	**$ 2,661,798**
Accounts receivable and advances	751,233	-	**751,233**
Inventory	411,605	-	**411,605**
Total current assets	3,824,636	-	**3,824,636**
Non-current assets			
Property, plant and equipment (note 21(iii)(c))	3,789,934	(1,490,326)	**2,299,608**
Long-term deposit (note 21(iii)(c))	343,767	(41,263)	**302,504**
Deferred development and exploration costs (note 21(iii)(c))	6,068,316	(2,582,542)	**3,485,774**
Total assets	$ 14,026,653	$ (4,114,131)	**$ 9,912,522**
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 1,127,803	$ -	**$ 1,127,803**
Current portion of financing facility	31,266	-	**31,266**
Due to related party	2,957,903	-	**2,957,903**
Total current liabilities	4,116,972	-	**4,116,972**
Non-current liabilities			
Asset retirement obligation (note 21(iii)(c))	447,400	(59,575)	**387,825**
Long-term portion of financing facility	-	-	**-**
Total liabilities	4,564,372	(59,575)	**4,504,797**
Capital and reserves			
Share capital	27,808,316	-	**27,808,316**
Reserves (note 21(iii)(c)(d))	5,045,459	(264,020)	**4,781,439**
Deficit (note 21(iii)(c))	(23,391,494)	(3,790,536)	**(27,182,030)**
Total equity	9,462,281	(4,054,556)	**5,407,725**

Total equity and liabilities	$ 14,026,653	$ (4,114,131)	**$ 9,912,522**

21. Conversion to IFRS (Continued)

(v) Reconciliation between IFRS and Canadian GAAP (Continued)

The Canadian GAAP consolidated interim statement of income and comprehensive income for the six month period ended June 30, 2010 has been reconciled to IFRS as follows:

	Six months ended June 30, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
Revenues			
Gold sales	$ 3,484,111	$ -	**$ 3,484,111**
Cost of expenses of operations			
Cost of sales	2,007,167	-	**2,007,167**
Amortization and depreciation (note 21(iii)(c))	449,014	(3,128)	**445,886**
	2,456,181	(3,128)	**2,453,053**
Income before the undernoted	1,027,930	3,128	**1,031,058**
General and administrative expenses			
Other operating expenses	220,280	-	**220,280**
Accounting and corporate	28,718	-	**28,718**
Legal and audit	52,098	-	**52,098**
Stock-based compensation	5,447	-	**5,447**
Shareholder communication and public relations	53,361	-	**53,361**
Transfer agent	20,801	-	**20,801**
General office	19,904	-	**19,904**
Bank interest and fees	47,215	-	**47,215**
	447,824	-	**447,824**
Foreign exchange gain (note 21(iii)(c))	(264,280)	242,649	**(21,631)**
	183,544	242,649	**426,193**

Net income for the period	$ 844,386	$ (239,521)	**$ 604,865**
Other comprehensive loss			
Foreign currency translation differences (note 21(iii)(c))	$ -	$ (176,378)	**$ (176,378)**
Total comprehensive income	$ 844,386	$ (415,899)	**$ 428,487**

21. Conversion to IFRS (Continued)

(v) Reconciliation between IFRS and Canadian GAAP (Continued)

The Canadian GAAP consolidated interim statement of income and comprehensive income for the three month period ended June 30, 2010 has been reconciled to IFRS as follows:

	Three months ended June 30, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
Revenues			
Gold sales	$ 1,503,296	$ -	**$ 1,503,296**
Cost of expenses of operations			
Cost of sales	952,944	-	**952,944**
Amortization and depreciation (note 21(iii)(c))	159,335	(2,919)	**156,416**
	1,112,279	(2,919)	**1,109,360**
Income before the undernoted	391,017	2,919	**393,936**
General and administrative expenses			
Other operating expenses	98,638	-	**98,638**
Accounting and corporate	16,203	-	**16,203**
Legal and audit	31,553	-	**31,553**
Stock-based compensation	2,500	-	**2,500**
Shareholder communication and public relations	38,576	-	**38,576**
Transfer agent	18,737	-	**18,737**
General office	10,609	-	**10,609**
Bank interest and fees	26,628	-	**26,628**

	243,444	-	**243,444**
Foreign exchange gain (note 21(iii)(c))	75,605	(43,837)	**31,768**
	319,049	(43,837)	**275,212**
Net income for the period	$ 71,968	$ 46,756	**$ 118,724**
Other comprehensive loss			
Foreign currency translation differences (note 21(iii)(c))	$ -	$ 108,532	**$ 108,532**
Total comprehensive income	$ 71,968	$ 155,288	**$ 227,256**

21. Conversion to IFRS (Continued)

(v) Reconciliation between IFRS and Canadian GAAP (Continued)

The Canadian GAAP consolidated interim statement of income and comprehensive income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Year ended December 31, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
Revenues			
Gold sales	$ 6,831,410	$ -	**$ 6,831,410**
Cost of expenses of operations			
Cost of sales	4,032,757	-	**4,032,757**
Amortization and depreciation (note 21(iii)(c))	765,124	(2,702)	**762,422**
	4,797,881	(2,702)	**4,795,179**
Income before the undernoted	2,033,529	2,702	**2,036,231**
Other expenses			
Loss on disposal of property, plant and equipment	6,123	-	**6,123**
General and administrative expenses			

Management and administration wages	429,436	-	**429,436**
Other operating expenses	169,078	-	**169,078**
Accounting and corporate	65,138	-	**65,138**
Legal and audit	175,986	-	**175,986**
Stock-based compensation	59,204	-	**59,204**
Shareholder communication and investor relations	110,765	-	**110,765**
Transfer agent	27,770	-	**27,770**
Director fees	48,427	-	**48,427**
General office	4,739	-	**4,739**
Bank interest and fees	87,384	-	**87,384**
	1,177,927	-	**1,177,927**
Foreign exchange (gain) loss (note 21(iii)(c))	(135,804)	237,785	**101,981**
	1,042,123	237,785	**1,279,908**
Net income for the period	$ 985,283	$ (235,083)	**$ 750,200**
Other comprehensive loss			
Foreign currency translation differences (note 21(iii)(c))	$ -	$ (264,020)	**$ (264,020)**
Total comprehensive income	$ 985,283	$ (499,103)	**$ 486,180**

21. Conversion to IFRS (Continued)

(v) Reconciliation between IFRS and Canadian GAAP (Continued)

The Canadian GAAP consolidated interim statement of cash flows for the six months ended June 30, 2010 has been reconciled to IFRS as follows:

	Six months ended June 30, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
Operating activities			
Net income for the period	$ 844,386	$ (239,521) [(1)]	**$ 604,865**
Adjustment for:			

Amortization and depreciation	449,014	(3,128)	**445,886**
Stock-based compensation	5,447	-	**5,447**
Foreign exchange	(118,824)	242,649	**123,825**
Non-cash working capital items:			
Accounts receivable and advances	(459,207)	-	**(459,207)**
Inventory	20,051	-	**20,051**
Accounts payable and accrued liabilities	(506,174)	-	**(506,174)**
Net cash provided by operating activities	234,693	-	**234,693**
Investing activities			
Purchases of property, plant and equipment	(2,286)	-	**(2,286)**
Deferred development and exploration costs	(5,020)	-	**(5,020)**
Long term deposit	(118,890)	-	**(118,890)**
Net cash used in investing activities	(126,196)	-	**(126,196)**
Financing activities			
Issue of common shares	1,033,067	-	**1,033,067**
Net repayments of financing facility	(42,852)	-	**(42,852)**
Advances from related party	(36,239)	-	**(36,239)**
Net cash provided by financing activities	953,976	-	**953,976**
Net change in cash	1,062,473	-	**1,062,473**
Effect of exchange rate changes on cash held in foreign currency	(38,612)	-	**(38,612)**
Cash, beginning of period	485,997	-	**485,997**
Cash, end of period	$ 1,509,858	$ -	**$ 1,509,858**

[1] Refer to Canadian GAAP consolidated interim statement of income and comprehensive income for the six month period ended June 30, 2010 reconciled to IFRS in note 21(v) above.

21. Conversion to IFRS (Continued)

(v) Reconciliation between IFRS and Canadian GAAP (Continued)

The Canadian GAAP consolidated interim statement of cash flows for the three months ended June 30, 2010 has been reconciled to IFRS as follows:

Three months ended June 30, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Operating activities			
Net income for the period	$ 71,968	$ 46,756[1]	**$ 118,724**
Adjustment for:			
Amortization and depreciation	159,335	(2,919)	**156,416**
Stock-based compensation	2,500	-	**2,500**
Foreign exchange	217,330	(43,837)	**173,493**
Non-cash working capital items:			
Accounts receivable and advances	(248,672)	-	**(248,672)**
Inventory	(14,739)	-	**(14,739)**
Accounts payable and accrued liabilities	22,068	-	**22,068**
Net cash provided by operating activities	209,790	-	**209,790**
Investing activities			
Purchases of property, plant and equipment	(790)	-	**(790)**
Deferred development and exploration costs	(753)	-	**(753)**
Long term deposit	(118,890)	-	**(118,890)**
Net cash used in investing activities	(120,433)	-	**(120,433)**
Financing activities			
Issue of common shares	1,033,067	-	**1,033,067**
Net repayments of financing facility	(15,700)	-	**(15,700)**
Advances from related party	(96,235)	-	**(96,235)**
Net cash provided by financing activities	921,132	-	**921,132**
Net change in cash	1,010,489	-	**1,010,489**
Effect of exchange rate changes on cash held in foreign currency	(95,436)	-	**(95,436)**
Cash, beginning of period	594,805	-	**594,805**
Cash, end of period	$ 1,509,858	$ -	**$ 1,509,858**

[1] Refer to Canadian GAAP consolidated interim statement of income and comprehensive income for the three month period ended June 30, 2010 reconciled to IFRS in note 21(v) above.

21. Conversion to IFRS (Continued)

(v) Reconciliation between IFRS and Canadian GAAP (Continued)

The Canadian GAAP consolidated statement of cash flows for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Year ended December 31, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
Operating activities			
Net income for the year	$ 985,283	$ (235,083)[1]	**$ 750,200**
Adjustment for:			
Amortization and depreciation	765,124	(2,702)	**762,422**
Stock-based compensation	59,204	-	**59,204**
Foreign exchange	140,813	237,785	**378,598**
Loss on disposal of property, plant and equipment	6,123	-	**6,123**
Non-cash working capital items:			
Accounts receivable and advances	(93,718)	-	**(93,718)**
Inventory	34,061	-	**34,061**
Accounts payable and accrued liabilities	(712,985)	-	**(712,985)**
Net cash provided by operating activities	1,183,905	-	**1,183,905**
Investing activities			
Purchases of property, plant and equipment	(429,810)	-	**(429,810)**
Proceeds from sale of property, plant and equipment	31,026	-	**31,026**
Deferred development and exploration costs	(16,655)	-	**(16,655)**
Long-term deposit	(224,949)	-	**(224,949)**
Net cash used in by investing activities	(640,388)	-	**(640,388)**
Financing activities			
Issue of common shares and warrants	2,277,500	-	**2,277,500**
Share issue costs	(23,557)	-	**(23,557)**
Net repayments of financing facility	(80,666)	-	**(80,666)**
Repayments from related party	(424,429)	-	**(424,429)**
Net cash provided by financing activities	1,748,848	-	**1,748,848**
Net change in cash	2,292,365	-	**2,292,365**
Effect of exchange rate changes on cash held in foreign currencies	(116,564)	-	**(116,564)**
Cash, beginning of period	485,997	-	**485,997**
Cash, end of period	$ 2,661,798	$ -	**$ 2,661,798**

[1] Refer to Canadian GAAP consolidated statement of income and comprehensive income for the year ended December 31, 2010 reconciled to IFRS in note 21(v) above.