GALANTAS GOLD CORPORATION

Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended December 31, 2010 and 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Galantas Gold Corporation were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to the consolidated financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated 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 consolidated financial statements and (ii) the consolidated 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 consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated 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 consolidated 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 consolidated 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
President

(signed)
Leo O'Shaughnessy
Chief Financial Officer

April 15, 2011

GALANTAS
GOLD CORPORATION

Independent Auditors' Report

To the Shareholders of
Galantas Gold Corporation

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Galantas Gold Corporation (“the Company”) which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and comprehensive income (loss), shareholders’ equity and cash flows for each of the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors’ responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Galantas Gold Corporation as at December 31, 2010 and 2009 and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes that the Company will require additional financing in order to fund its planned activities. This condition, along with other matters set out in note 1, indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

"***McCarney Greenwood LLP***"

Toronto, Canada
April 15, 2011

McCarney Greenwood LLP
Chartered Accountants
Licensed Public Accountants

GALANTAS GOLD CORPORATION
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)

AS AT DECEMBER 31,	2010	2009
Assets		
Current		
Cash	**$ 2,661,798**	$ 485,997
Accounts receivable and advances	**751,233**	657,515
Inventory (Note 6)	**411,605**	445,666
	3,824,636	1,589,178
Property, plant and equipment (Note 7)	**3,789,934**	3,691,172
Long-term deposit (Note 8)	**343,767**	118,818
Deferred development and exploration costs (Note 8)	**6,068,316**	6,547,135
	$ 14,026,653	$ 11,946,303
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 1,127,803**	$ 1,840,788
Current portion of financing facility (Note 9)	**31,266**	77,830
Due to related party (Note 12)	**2,957,903**	3,382,332
	4,116,972	5,300,950
Asset retirement obligation	**447,400**	447,400
Long-term portion of financing facility (Note 9)	**-**	34,102
	4,564,372	5,782,452
Shareholders' Equity		
Share capital (Note 10(a))	**27,808,316**	26,530,787
Warrants (Note 10(b))	**976,414**	47,010
Contributed surplus	**4,069,045**	3,962,831
	32,853,775	30,540,628
Deficit	**(23,391,494)**	(24,376,777)
	9,462,281	6,163,851
	$ 14,026,653	$ 11,946,303

Going concern (Note 1)
Contingent liability (Note 15)
Subsequent events (Note 17)

SIGNED ON BEHALF OF THE BOARD: (Signed) "L.J.Gunter" **Director**, (Signed) "Roland Phelps") **Director**

See accompanying notes to consolidated financial statements

GALANTAS GOLD CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Year Ended December 31, 2010	Year Ended December 31, 2009
Revenues		
Gold sales	**$ 6,831,410**	$ 5,409,913
Cost and expenses of operations		
Cost of sales	**4,032,757**	3,692,087
Amortization and depreciation	**765,124**	1,666,692
	4,797,881	5,358,779
Income before the undernoted	**2,033,529**	51,134
Other expenses		
Loss on disposal of property, plant and equipment	**6,123**	-
Impairment of deferred development and exploration costs (Note 8)	**-**	3,448,736
Impairment of property, plant and equipment (Note 7)	**-**	1,865,676
	6,123	5,314,412
General administrative expenses		
Management and administration wages	**429,436**	406,290
Other operating expenses	**169,078**	216,349
Accounting and corporate	**65,138**	58,097
Legal and audit	**175,986**	107,988
Stock-based compensation (Note 10(c))	**59,204**	133,903
Shareholder communication and investor relations	**110,765**	103,383
Transfer agent	**27,770**	16,871
Director fees	**48,427**	-
General office	**4,739**	17,159
Bank interest and fees	**87,384**	157,938
	1,177,927	1,217,978
Foreign exchange gain	**(135,804)**	(119,559)
	1,042,123	1,098,419
Net income (loss) and comprehensive income (loss) for the year	**$ 985,283**	$ (6,361,697)
Basic and diluted income (loss) per share	**$ 0.00**	$ (0.03)
Weighted average number of shares outstanding - basic	**212,832,704**	189,979,839
Dilutive effect of stock options and warrants	**-**	-
Weighted average number of shares outstanding - diluted	**212,832,704**	189,979,839

See accompanying notes to consolidated financial statements

GALANTAS GOLD CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2008	**$ 26,435,998**	**$ 180,640**	**$ 3,648,288**	**$ (18,015,080)**	**$ 12,249,846**
Shares issued for debt (Note 10(a)(i))	141,799	-	-	-	141,799
Warrants issued (Note 10(a)(i))	(47,010)	47,010	-	-	-
Stock-based compensation (Note 10(c))	-	-	133,903	-	133,903
Warrants expired	-	(180,640)	180,640	-	-
Net loss for the year	-	-	-	(6,361,697)	(6,361,697)
Balance, December 31, 2009	**26,530,787**	**47,010**	**3,962,831**	**(24,376,777)**	**6,163,851**
Shares issued under					
private placements (Note 10(a)(ii)(iii))	2,277,500	-	-	-	2,277,500
Warrants issued (Note 10(a)(ii)(iii))	(976,414)	976,414	-	-	-
Share issue costs	(23,557)	-	-	-	(23,557)
Stock-based compensation (Note 10(c))	-	-	59,204	-	59,204
Warrants expired	-	(47,010)	47,010	-	-
Net income for the year	-	-	-	985,283	985,283
Balance, December 31, 2010	**$ 27,808,316**	**$ 976,414**	**$ 4,069,045**	**$ (23,391,494)**	**$ 9,462,281**

See accompanying notes to consolidated financial statements

GALANTAS GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended December 31, 2010	Year Ended December 31, 2009
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income (loss) for the year	**$ 985,283**	$ (6,361,697)
Adjustments for non-cash items:		
Amortization and depreciation	**765,124**	1,666,692
Stock-based compensation (Note 10(c))	**59,204**	133,903
Foreign exchange	**140,813**	(27,966)
Loss on disposal of property, plant and equipment	**6,123**	-
Impairment of deferred development and exploration costs (Note 8)	**-**	3,448,736
Impairment of property, plant and equipment (Note 7)	**-**	1,865,676
Net change in non-cash working capital (Note 13(a))	**(772,642)**	(179,516)
	1,183,905	545,828
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(429,810)**	(15,902)
Proceeds from sale of property, plant and equipment	**31,026**	-
Deferred development and exploration costs	**(16,655)**	(448,779)
Long-term deposits	**(224,949)**	(16,918)
	(640,388)	(481,599)
FINANCING ACTIVITIES		
Issue of common shares and warrants	**2,277,500**	-
Share issue costs	**(23,557)**	-
Net repayments of financing facility	**(80,666)**	(396,975)
(Repayments) advances from related party	**(424,429)**	203,288
	1,748,848	(193,687)
NET CHANGE IN CASH	**2,292,365**	(129,458)
Effect of exchange rate changes on cash held in foreign currencies	**(116,564)**	27,966
CASH, BEGINNING OF YEAR	**485,997**	587,489
CASH, END OF YEAR	**$ 2,661,798**	$ 485,997

SUPPLEMENTAL CASH FLOW INFORMATION (Note 13)

See accompanying notes to consolidated financial statements

1. GOING CONCERN

These consolidated 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 December 31, 2010, the Company had a deficit of $23,391,494 (December 31, 2009 - $24,376,777). 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 consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company, Cavanacaw and its wholly-owned subsidiaries Omagh and Galántas. All material intercompany balances have been eliminated. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. The most significant estimates and assumptions include the recovery of the deferred development and exploration costs, the valuation of stock-based compensation and other stock-based payments and the ability of the Company to continue as a going concern (Note 1). Actual results could differ from those estimates.

Foreign Currency Translation

The Company's operations expose it to significant fluctuations in foreign exchange rates. Cavanacaw, Omagh and Galántas are denominated in British pounds and are, therefore, subject to exchange variations against the reporting currency, the Canadian dollar. They are integrated foreign operations, and as such their consolidated financial statements have been translated into Canadian dollars using the temporal method. All assets and liabilities are translated at exchange rates effective at the end of each year and all non-monetary assets and liabilities are translated at their historical rates. Income and expenses are translated at the average exchange rate for the year. The foreign currency translation gains and losses are included in the determination of net income (loss).

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.

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 3031, "Inventories". The revised inventories section brings the CICA standard in line with International Financial Reporting Standards ("IFRS") and allows for the upward revaluation of inventory that was previously written down to net realizable value. The adoption of this standard had no impact on the Company's consolidated financial results.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

The cost of property, plant and equipment is their purchase cost, together with any related costs of acquisition. Amortization is calculated at the following rates:

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

Prior to commencing production, the Company capitalized interest related to financing of equipment.

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.

Overburden Removal Costs

The CICA Emerging Issues Committee Abstract 160 (“EIC-160”), “Stripping Costs Incurred in the Production Phase of a Mining Operation”, requires stripping costs are accounted for as variable production costs to be included in the costs of inventory produced, unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs are capitalized. Betterment occurs when stripping activity increases future output of the mine by providing access to additional sources of reserves. Capitalized stripping costs are amortized on a unit-of-production basis over the proven and probable reserves to which they relate.

Deferred Till 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.

Asset Retirement Obligation

The Company is subject to the provisions of CICA Handbook Section 3110, "Asset Retirement Obligations", which require the estimated fair value of any asset retirement obligations are recognized as a liability in the period in which the related environmental disturbance occurs and the present value of the associated future costs can be reasonably estimated. As of December 31, 2010 and 2009, the Company has capitalized any asset retirement obligations in respect of its mineral exploration property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets

Long-lived assets, which comprise property, plant and equipment, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If the sum of the undiscounted future cash flows expected from use and residual value is less than carrying amount, the long-lived asset is considered impaired. An impairment loss is measured as the amount by which the carrying value of the long-lived assets exceeds its fair value.

Income Taxes

The asset and liability method is used for determining income taxes. Under this method, future tax assets and liabilities are recognized for the estimated taxes recoverable or payable that would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to be in effect when the tax assets or liabilities are recovered or settled, respectively. Changes to these rates are recognized in income in the year in which the changes occur. Future income tax assets are recognized to the extent that it is more likely than not that the Company will realize the benefit from the asset.

Stock-based Compensation

The fair value of any stock options granted to directors, officers, employees and consultants is recorded as an expense over the vesting period with a corresponding increase recorded to contributed surplus. The fair value of the stock-based compensation is determined using the Black-Scholes option pricing model and management's assumptions. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Other Stock-based Payments

The Company accounts for other stock-based payments based on the fair value of the equity instruments issued in exchange for the receipt of goods and services from non-employees or the fair value of the goods and services received, whichever is the more reliable basis, by using the stock price and other measurement assumptions as at the measurement date.

Per Share Information

Per share information is computed using the weighted average number of common shares outstanding during the year. Diluted per share information is calculated using the treasury stock method for options and warrants. The treasury stock method assumes that any proceeds obtained upon exercise of options and warrants would be used to purchase common shares at the average market price during the year. For the purpose of calculating diluted earnings per share, no adjustment to basic earnings per share is made if the result of these calculations is anti-dilutive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments, Comprehensive Income (Loss) and Hedges

The Company has, for accounting purposes, designated its cash as held-for-trading, which is measured at fair value. Accounts receivable and advances as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, financing facility and due to related party are classified as other financial liabilities, which are measured at amortized cost.

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to loans and receivables and other financial liabilities are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest rate method.

Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, “Mining Exploration Costs”, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. This abstract became effective for the Company in 2009 and the resulting impact on its consolidated financial statements was the recognition of an impairment on the deferred development and exploration costs.

Revenue Recognition

Revenue from sales of finished goods is recognized at the time of shipment when significant risks and benefits of ownership are considered to be transferred, the terms are fixed or determinable, and collection is reasonably assured.

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.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA Handbook section 3064, "Goodwill and Intangible Assets" which replaced the CICA Handbook sections 3062 and 3450, EIC-27 and part of Accounting Guideline 11. Under previous Canadian standards, more items were recognized as assets than under IFRS. The objectives of CICA 3064 are to reinforce the principle based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The portions in the new standard with respect to goodwill remain unchanged. The provisions relating to the definition and initial recognition of intangible assets intends to reduce the differences with IFRS in the accounting for intangible assets. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets.

The adoption of this standard had no impact on the Company’s presentation of its consolidated financial position or results of operations for the years ended December 31, 2010 and 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the Canadian Accounting Standards Board ("AcSB") issued an amendment to CICA Section 3862, "Financial Instruments – Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 – Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) 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) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These standards apply to annual financial statements relating to fiscal years ending after September 30, 2009. The adoption of the new standard resulted in additional disclosures in the notes to the consolidated financial statements (Note 5(b)).

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard had no impact on the Company's presentation of its consolidated financial position or results of operations for the year ended December 31, 2010 and 2009.

Future Accounting Pronouncements

IFRS

On January 2006, the CICA's AcSB formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. The Company is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. It is anticipated that the Company's consolidated financial results and financial position as disclosed in the Company's current Canadian GAAP consolidated financial statements will not be significantly different when presented in accordance with IFRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements (Continued)

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non- Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements. The Company is in the process of evaluating the requirements of the new standards.

4. CAPITAL 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, warrants, contributed surplus and deficit which at December 31, 2010 totaled $9,462,281 (December 31, 2009 - $6,163,851). 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 year ended December 31, 2010. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

5. FINANCIAL RISK FACTORS

(a) 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.

(b) 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.

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. Value 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.

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 related to 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 December 31, 2010, 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 and certain related party loans. The Company is using operating cash flows to manage and is seeking additional capital to increase liquidity. As of December 31, 2010, the Company was cash flow positive.

Market Risk

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 term loan facility and certain related party loans which bear interest at variable rates.

5. FINANCIAL RISK FACTORS (Continued)

(b) Financial risk (Continued)

Market Risk (Continued)

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 Canadian dollar.

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

The Company designated, for accounting purposes, its cash as held-for-trading, which is measured at fair value. Accounts receivable and advances are classified for accounting purposes as loans and receivables, which are measured at amortized cost and is equal to fair value. Accounts payable and accrued liabilities, financing facility and due to related party are classified for accounting purposes as other financial liabilities, which are measured at amortized cost and is also equal to fair value.

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

(i) The financing facility and certain related party loans are subject to interest rate risk. As at December 31, 2010, if interest rates had decreased/increased by 1% with all other variables held constant, the income for the year ended December 31, 2010 would have been approximately $26,000 lower/higher, as a result of lower/higher interest rates from the term loan facility and certain related party loans. Similarly, as at December 31, 2010, shareholders' equity would have been approximately $26,000 higher/lower as a result of a 1% decrease/increase in interest rates from the term loan facility 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 party and financing facility that are denominated in British pounds. As at December 31, 2010, had the British pound weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, the Company's income for the year ended December 31, 2010 would have been approximately $30,000 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at December 31, 2010, shareholders' equity would have been approximately $30,000 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.

(Expressed in Canadian Dollars)

5. FINANCIAL RISK FACTORS (Continued)

(b) Financial risk (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 loss and shareholders' equity by approximately $626,000

Fair Value Hierarchy and Liquidity Risk Disclosure

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2010:

	Level One	Level Two	Level Three
Cash	$ 2,661,798	$ -	$ -
Accounts receivable and advances	-	-	751,233
Long-term deposit	343,767	-	-
Accounts payable and accrued liabilities	-	-	1,127,803
Financing facility	-	-	31,266

6. INVENTORY

	December 31, 2010	**December 31, 2009**
Concentrate inventory	**$ 75,081**	$ 33,990
Finished goods	**336,524**	411,676
	$ 411,605	$ 445,666

7. PROPERTY, PLANT AND EQUIPMENT

		December 31, 2010		
	Cost	**Accumulated Amortization**	**Impairment**	**Net**
Freehold land and buildings	$ 3,020,913	$ 469,136	$ 877,140	$ 1,674,637
Plant and machinery	5,808,123	2,760,187	978,876	2,069,060
Motor vehicles	67,439	51,371	4,112	11,956
Office equipment	102,628	62,799	5,548	34,281
Moulds	81,802	81,802	-	-
	$ 9,080,905	$ 3,425,295	$ 1,865,676	$ 3,789,934

(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	December 31, 2009			
	Cost	Accumulated Amortization	Impairment	Net
Freehold land and buildings	$ 3,020,913	$ 447,704	$ 877,140	$ 1,696,069
Plant and machinery	5,600,487	2,656,568	978,876	1,965,043
Motor vehicles	65,724	49,681	4,112	11,931
Office equipment	81,715	58,038	5,548	18,129
Moulds	81,802	81,802	-	-
	$ 8,850,641	$ 3,293,793	$ 1,865,676	$ 3,691,172

Since June 2005, the Company has held a Crown Mining Lease which grants the Company the right to extract gold and silver from its property at Omagh, County Tyrone, Northern Ireland. The Lease requires the Company to pay $23,000 (GBP 10,000) per year with additional royalty payable calculated on gold and silver sales revenues. The Company also has prospecting licenses in respect to gold, silver and other metals which are renewed periodically. The Lease and licenses contain certain rights as to renewal providing that certain rent and royalty payments, exploration expenditure and other terms have been met, including the provision of a restoration bond.

In 2006, the Company purchased an adjoining property at a cost of $781,182 (GBP 377,073). The purchase includes only surface rights as rights to gold and silver are already held by the Company through its Crown Mining Lease.

As at December 31, 2009, the Company recorded an impairment writedown of $1,865,676 on its property, plant and equipment. After completing a review of the discounted value of net future cash flows it was determined that the carrying value was not likely to be fully recoverable. Key assumptions for inflation, discount rates and foreign exchange rates were based on information available from third party sources that management believed to be reasonable in the circumstances. The difference between the carrying value and the discounted future cash flow has been recognized as an impairment writedown.

As at December 31, 2010, after completing a review of the discounted value of net future cash flows, it was determined that there is no impairment on its property, plant and equipment.

8. DEFERRED DEVELOPMENT AND EXPLORATION COSTS

	December 31, 2010		
	Cost	Accumulated Amortization	Net
Deferred development and exploration costs	$ 11,912,125	$ 2,395,073	$ 9,517,052
Impairment	(3,448,736)	-	(3,448,736)
	$ 8,463,389	$ 2,395,073	$ 6,068,316

GALANTAS GOLD CORPORATION

(Expressed in Canadian Dollars)

8. DEFERRED DEVELOPMENT AND EXPLORATION COSTS (Continued)

	December 31, 2009		
	Cost	Accumulated Amortization	Net
Deferred development and exploration costs	$ 11,895,470	$ 1,899,599	$ 9,995,871
Impairment	(3,448,736)	-	(3,448,736)
	$ 8,446,734	$ 1,899,599	$ 6,547,135

As at December 31, 2010, the Company recorded an impairment of $nil (December 31, 2009 - $3,448,736) on its deferred development and exploration costs. See Note 7 for explanation.

The Company has recorded an asset retirement obligation in the amount to $447,400. This is the amount of the bond that is required by the Crown in Northern Ireland. The Company has paid a deposit against this obligation.

9. FINANCING FACILITY

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

	Interest	December 31, 2010	December 31, 2009
Financing facility (199,160 GBP)	4.03 %	**$ 31,266**	$ 111,932
Less current portion		**31,266**	77,830
		$ -	$ 34,102

In June 2007, the Company obtained financing from Barclays Mercantile Business Finance Ltd. in the amount of $390,345 (199,160 GBP) for the purchase of mining equipment. The loan is for a period of four years at 4.03% with monthly principal and interest payments of $8,812 (4,101 GBP), except for the third payment, which was paid for the amount of $72,549 (33,764 GBP). The loan is secured by certain plant and machinery.

Borrowings are secured by a legal mortgage charge over the land with a letter of guarantee.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

(a) Authorized and issued

Authorized
Unlimited number of common and preference shares issuable in Series

Issued common shares

	Number of Shares	Stated Value
Balance, December 31, 2008	**186,965,855**	**$ 26,435,998**
Shares issued for debt (i)	3,134,200	141,799
Warrants issued (i)	-	(47,010)
Balance, December 31, 2009	**190,100,055**	**26,530,787**
Issued under private placements (ii)(iii)	45,550,000	2,277,500
Warrants issued (ii)(iii)	-	(976,414)
Share issue costs	-	(23,557)
Balance, December 31, 2010	**235,650,055**	**$ 27,808,316**

(i) On January 14, 2009, the Company received consent from the TSX Venture Exchange (the "Exchange") for the issue of Company shares for debt. The creditor, who supplied drilling services, has exchanged $141,799 (78,355 GBP) of debt for 3,134,200 units. Each unit comprises one common share and one warrant, such warrant being exercisable for one year at a price of $0.09 (0.05 GBP).

The fair value of the 3,134,200 warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 153%; risk-free interest rate - 0.96% and an expected life of one year. The fair value attributed to the warrants was $47,010.

(ii) On June 8, 2010, the Company closed the first tranche of a private placement for 21,000,000 units (the "Offering"). Each unit is priced at $0.05 and is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $0.10. A finders fee of 1% is payable to an independent agent.

The fair value of the 21,000,000 warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 174.36%; risk-free interest rate - 1.67% and an expected life of 2 years. The fair value attributed to the warrants was $411,764.

(iii) On July 22, 2010, the Company completed the second tranche of a private placement. The Company issued 24,550,000 units pursuant to the second tranche. Each unit is priced at $0.05 and is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 24 months from closing at a price of $0.10. A cash fee of 1% is payable to EF Malet de Carteret MCSI, an independent agent.

The fair value of the 24,550,000 warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 174.52%; risk-free interest rate - 1.55% and an expected life of 2 years. The fair value attributed to the warrants was $564,650.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(b) Warrants

The following table shows the continuity of warrants for the years ended December 31, 2010 and 2009:

	Number of Warrants	Weighted Average Price
Balance, December 31, 2008	**11,290,000**	**$ 0.09**
Issued (Note 10(a)(i))	3,134,200	0.09
Expired	(11,290,000)	(0.09)
Balance, December 31, 2009	**3,134,200**	**0.09**
Issued (Note 10(a)(ii)(iii))	45,550,000	0.10
Expired	(3,134,200)	(0.09)
Balance, December 31, 2010	**45,550,000**	**$ 0.10**

As at December 31, 2010, the following warrants were outstanding:

Number of Warrants	Fair Value ($)	Exercise Price ($)	Expiry Date
21,000,000	411,764	0.10	June 8, 2012
24,550,000	564,650	0.10	July 22, 2012
45,550,000	976,414		

(c) 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.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

The following table shows the continuity of options for the years ended December 31, 2010 and 2009:

	Number of Options	Weighted Average Price
Balance, December 31, 2008 and 2009	**8,650,000**	**$ 0.14**
Expired	(200,000)	(0.10)
Cancelled	(1,150,000)	(0.20)
Granted (i)	3,500,000	0.10
Balance, December 31, 2010	**10,800,000**	**$ 0.13**

Stock-based compensation expense includes $7,947 (2009 - $133,903) relating to stock options granted in previous years that vested during the year ended December 31, 2010.

(i) On November 23, 2010, 3,500,000 stock options were granted to employees of the Company to purchase common shares at a price of $0.10 per share until November 23, 2015. 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 $133,000 and will be expensed in the statements of operations and credited to contributed surplus as the options vest. Included in stock-based compensation is $51,257 related to the vested portion of these stock options.

The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 139.24%; risk-free interest rate - 2.32% and an expected life of 5 years.

The following table reflects the Company's stock options outstanding and exercisable as at December 31, 2010:

Options Outstanding	Weighted Average Remaining Contractual Life (years)	Exercise Price ($)	Options Exercisable	Weighted Average Remaining Contractual Life (years)	Exercise Price ($)	Expiry Date
500,000	1.46	0.23	500,000	1.46	0.23	June 15, 2012
5,300,000	1.98	0.14	5,300,000	1.98	0.14	December 24, 2012
1,500,000	2.76	0.10	1,500,000	2.76	0.10	October 2, 2013
3,500,000	4.90	0.10	1,166,667	4.90	0.10	November 23, 2015
10,800,000	**3.01**	**0.13**	**8,466,667**	**2.49**	**0.13**	

(Expressed in Canadian Dollars)

11. TAXATION

(a) Provision for income taxes

A reconciliation of the expected tax recovery to actual is provided as follows:

	2010	2009
Income (loss) before income taxes	**$ 985,283**	$ (6,361,697)
Expected tax recovery at statutory rate of 31% (2009 - 33%)	**305,400**	(2,099,400)
Difference resulting from:		
Stock-based compensation	**18,400**	44,200
Foreign exchange	**(42,100)**	(39,500)
Foreign tax rate differential	**(12,600)**	181,800
Expiry of warrants	**7,300**	29,800
Utilization of previously unrecognized losses	**(379,100)**	-
Non-capital losses not recognized	**102,700**	1,883,100
	$ -	$ -

(b) Future tax balances

The tax effects of temporary differences that give rise to future income tax assets and future income tax liabilities are as follows:

	2010	2009
Future income tax assets (liabilities)		
Non-capital losses	**$ 4,356,100**	$ 4,936,200
Share issue costs	**6,200**	28,000
Property, plant and equipment and deferred development costs	**(427,600)**	(611,800)
Valuation allowance	**(3,934,700)**	(4,352,400)
	$ -	$ -

(c) Losses carried forward

As at December 31, 2010, the Company had non-capital losses carried forward of $15,099,089 (2009 - $17,000,860) for income tax purposes as follows:

Expires	2014	$ 426,803
	2015	568,540
	2026	1,064,484
	2027	598,595
	2029	373,962
	2030	440,510
Indefinite		11,626,195
		$ 15,099,089

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

Transactions with related parties were in the normal course of operations and were measured at the exchange amounts.

The Company has the following transactions with related parties:

Director fees of $48,427 (2009 - $nil) were paid or accrued during the year ended December 31, 2010.

	December 31, 2010		December 31, 2009	
	GBP	**CDN$**	**GBP**	**CDN$**
G&F Phelps amalgamated loans, a company controlled by a director of the Company, bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture over all of the Company's assets.	**1,686,552**	**2,616,349**	1,686,552	2,853,909
Interests accrued on G&F Phelps amalgamated loans	**22,105**	**34,291**	126,323	213,713
Amount due to G&F Phelps for the rent of the mining equipment	**88,791**	**137,741**	76,745	129,837
Director's current account	**109,277**	**169,522**	109,277	184,873
	1,906,725	**2,957,903**	1,998,897	3,382,332

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. At December 31, 2010, the amount payable to G&F Phelps for the rent of the mining equipment amounted to $137,741 (GBP 88,791) (December 31, 2009 - $129,837 - (GBP 76,745)). On December 22, 2010, the Company signed an agreement with G&F Phelps to acquire additional equipments (see Note 17(i)).

During the fiscal 2009, G&F Phelps and the Company entered into the following agreement:

- G&F Phelps amalgamated it's UK loans to the Company and took over all loans from Welsh Gold plc and the President and Chief Executive Officer of the Company to Galantas. The amalgamated loans bear interest at 2% above UK base rate, are repayable on demand and are secured by a mortgage debenture over all the Company's assets;
- G&F Phelps extended this loan arrangement with the Company by repaying the balance of $140,012 (GBP 82,126) on the Company's GBP term loan facility;
- the Company have accrued a fee of $42,895 (GBP 25,000) payable to G&F Phelps arising from the provision of limited support by them on certain financial obligations of the Company; and
- the Company to repay to G&F Phelps any costs incurred by G&F Phelps as a result of it entering into these agreements.

Interest accrued on related party loans is included under due to related party. As at December 31, 2010, the amount of interest accrued is $34,291 (GBP 22,105) (December 31, 2009 - $213,713 (GBP 126,323)).

(Expressed in Canadian Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non-cash working capital

	Year Ended December 31, 2010	Year Ended December 31, 2009
Accounts receivable and advances	**$ (93,718)**	$ (327,048)
Inventory	**34,061**	206,640
Accounts payable and accrued liabilities	**(712,985)**	(59,108)
	$ (772,642)	$ (179,516)

(b) Supplemental information

	2010	2009
Interest paid	**$ 237,361**	$ 88,892
Shares issued for debt payment	**$ -**	$ 141,799

14. 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 Galántas. Substantially all of the Company's revenues, costs and assets of the business that support these operations are derived or located in Northern Ireland.

15. 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 $516,817 (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 consolidated financial statements.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted as at December 31, 2010.

17. SUBSEQUENT EVENTS

(i) On December 22, 2010, the Company announced that it has approved the purchase of a 80 tonne weight, tracked excavator and two 40 tonne capacity articulated dump-trucks (collectively, the "Equipment') for its wholly-owned subsidiary, Omagh. Total consideration for the Equipment is $298,625 (GBP 192,500) + VAT, payable in cash. The transaction is subject to the approval of the Exchange.

On January 4, 2011, the Exchange has approved the transaction between the Company and G&F Phelps.

17. SUBSEQUENT EVENTS (Continued)

(ii) 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 £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.