GALANTAS GOLD CORPORATION

Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended December 31, 2009 and 2008

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 22, 2010

GALANTAS
GOLD CORPORATION

Auditors' Report

To the Shareholders of
Galantas Gold Corporation.

We have audited the consolidated balance sheets of Galantas Gold Corporation as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

"McCarney Greenwood LLP"

Toronto, Canada
April 22, 2010

McCarney Greenwood LLP
Chartered Accountants
Licensed Public Accountants

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

AS AT DECEMBER 31,	2009	2008 (Restated) (Note15)
Assets		
Current		
Cash	**$ 485,997**	$ 587,489
Accounts receivable and advances	**657,515**	330,467
Inventory (Note 6)	**445,666**	652,306
	1,589,178	1,570,262
Property, plant and equipment (Note 7)	**3,691,172**	6,152,874
Long-term deposit	**118,818**	101,900
Deferred development and exploration costs (Note 8)	**6,547,135**	10,601,856
	$ 11,946,303	$ 18,426,892
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 2,097,396**	$ 2,298,303
Current portion of financing facility (Note 9)	**77,830**	309,043
Due to related party (Note 12)	**3,125,724**	2,504,275
	5,300,950	5,111,621
Asset retirement obligation	**447,400**	447,400
Due to related party (Note 12)	**-**	418,161
Long-term portion of financing facility (Note 9)	**34,102**	199,864
	5,782,452	6,177,046
Shareholders' Equity		
Share capital (Note 10(a))	**26,530,787**	26,435,998
Warrants (Note 10(b))	**47,010**	180,640
Contributed surplus	**3,962,831**	3,648,288
	30,540,628	30,264,926
Deficit	**(24,376,777)**	(18,015,080)
	6,163,851	12,249,846
	$ 11,946,303	$ 18,426,892

Going concern (Note 1)
Contingent liability (Note 16)

See accompanying notes to consolidated financial statements

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

AS AT DECEMBER 31,	2009	2008 (Restated) (Note15)
Revenues		
Gold sales	**$ 5,409,913**	$ 4,402,965
Cost and expenses of operations		
Cost of sales	**3,692,087**	3,909,656
Amortization and depreciation	**1,666,692**	1,558,679
	5,358,779	5,468,335
(Loss) income before the undernoted	**51,134**	(1,065,370)
Other expenses and (income)		
Impairment of deferred development and exploration costs (Note 8)	**3,448,736**	-
Impairment of property, plant and equipment (Note 7)	**1,865,676**	-
	5,314,412	-
General administrative expenses		
Other operating expenses	**622,639**	1,006,849
Accounting and corporate	**58,097**	70,109
Legal and audit	**107,988**	114,599
Stock-based compensation (Note 10(c))	**133,903**	386,341
Shareholder communication and public relations	**103,383**	163,233
Transfer agent	**16,871**	15,335
Consulting fees	**-**	6,186
General office	**17,159**	43,301
Bank interest and fees	**157,938**	209,437
Foreign exchange gain	**(119,559)**	(628,391)
Interest income	**-**	(149)
	1,098,419	1,386,850
Net loss and comprehensive loss for the year	**$ (6,361,697)**	$ (2,452,220)
Basic and diluted loss per share	**$ (0.03)**	$ (0.01)
Weighted average number of shares outstanding - basic	**189,979,839**	175,737,718
Dilutive effect of stock options and warrants	**-**	-
Weighted average number of shares outstanding - diluted	**189,979,839**	175,737,718

See accompanying notes to consolidated financial statements

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

	Share Capital	Warrants	Contributed Surplus	(Restated Note 15) Deficit	Total
Balance, December 31, 2007	**$ 26,134,279**	**$ 2,417,700**	**$ 844,247**	**$ (13,959,943)**	**$ 15,436,283**
Prior year adjustment (Note 15)	-	-	-	(1,602,917)	(1,602,917)
Balance, December 31, 2007, restated	**26,134,279**	**2,417,700**	**844,247**	**(15,562,860)**	**13,833,366**
Shares issued under private placements	496,760	-	-	-	496,760
Warrants issued	(180,640)	180,640	-	-	-
Share issue costs	(14,401)	-	-	-	(14,401)
Warrants expired	-	(2,417,700)	2,417,700	-	-
Stock-based compensation	-	-	386,341	-	386,341
Net loss	-	-	-	(2,452,220)	(2,452,220)
Balance, December 31, 2008, restated	**26,435,998**	**180,640**	**3,648,288**	**(18,015,080)**	**12,249,846**
Shares issued for debt (Note 10(a))	141,799	-	-	-	141,799
Warrants issued	(47,010)	47,010	-	-	-
Stock-based compensation (Note 10(c))	-	-	133,903	-	133,903
Warrants expired	-	(180,640)	180,640	-	-
Net loss	-	-	-	(6,361,697)	(6,361,697)
Balance, December 31, 2009	**$ 26,530,787**	**$ 47,010**	**$ 3,962,831**	**$ (24,376,777)**	**$ 6,163,851**

See accompanying notes to consolidated financial statements

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

AS AT DECEMBER 31,	2009	2008 (Restated) (Note15)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	**$ (6,361,697)**	$ (2,452,220)
Adjustments for non-cash items:		
Amortization and depreciation	**1,666,692**	1,558,679
Stock-based compensation (Note 10(c))	**133,903**	386,341
Foreign exchange	**(27,966)**	(55,030)
Impairment of deferred development and exploration costs	**3,448,736**	-
Impairment of property, plant and equipment	**1,865,676**	-
Net change in non-cash working capital (Note 13(a))	**(179,516)**	601,900
	545,828	39,670
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(15,902)**	(328,965)
Deferred development and exploration costs	**(448,779)**	(561,285)
Long term deposits	**(16,918)**	-
	(481,599)	(890,250)
FINANCING ACTIVITIES		
Issue of common shares	**-**	496,760
Share issue costs	**-**	(14,401)
Net repayments of financing facility	**(396,975)**	(518,713)
Advances from related party	**203,288**	1,398,085
	(193,687)	1,361,731
NET CHANGE IN CASH	**(129,458)**	511,151
Effect of exchange rate changes on cash held in foreign currencies	**27,966**	55,030
CASH, BEGINNING OF PERIOD	**587,489**	21,308
CASH, END OF PERIOD	**$ 485,997**	$ 587,489

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.

During the year, the Company incurred a net loss of $6,361,697 (2008 - $2,452,220) and has a deficit of $24,376,777 (2008 - $18,015,080). 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. BASIS OF PRESENTATION AND 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 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 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 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 began amortization.

Overburden Removal Costs (CICA EIC-160)

CICA Emerging Issues Committee Abstract 160 ("EIC-160"), "Stripping Costs Incurred in the Production Phase of a Mining Operation", requires stripping costs that 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 to be 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, 2009 and 2008, 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 values 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 values of the long-lived assets exceeds their fair values.

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 Company accounts for stock-based compensation using a fair value-based method with respect to all stock-based payments to directors, employees and non-employees. 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 values 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 Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, “Financial Instruments – Recognition and Measurement”, 1530, “Comprehensive Income”, 3861 "Financial Instruments - Disclosure and Presentation" and 3865, “Hedges”. These standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 and are adopted retrospectively without restatement; accordingly, comparative amounts for prior periods have not been restated. The Company adopted these new standards effective January 1, 2007.

Effective December 1, 2006, the CICA issued Handbook Sections 3862 and 3863 which replaced Section 3861, "Financial Instruments - Disclosure and Presentation", and which became effective for the Company on January 1, 2008.

(a) Financial Instruments - Recognition and Measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

(b) Comprehensive Income (loss)

Section 1530 introduced a requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

The Company had no other comprehensive income or loss transactions during the years ended December 31, 2009 and 2008. Accordingly, a statement of comprehensive income has not been presented.

(c) Financial Statements and Non-Financial Derivatives

Handbook Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included these disclosures in Note 5(b) to these consolidated financial statements.

(d) Impact upon adoption of Sections 1530, 3855, 3862, 3863 and 3865

Upon adoption of these standards, the Company designated its cash as held-for-trading, which is measured at fair value. Accounts receivable and advances are classified as loans and receivables, which is 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, "Capital Disclosures" (Handbook Section 1535). This became effective for the Company on January 1, 2008.

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the Handbook in Note 4 to these consolidated financial statements.

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. The Company has applied this new abstract for the year ended December 31, 2009 and the resulting impact on its consolidated financial statements was the recognition of an impairment on the deferred development and exploration costs (Note 8).

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 significant risks and benefits of ownership are considered to be transferred, the terms are fixed or determinable, and collection is reasonably assured. The final revenue figure is subject to adjustments as a result of final assay results and metal prices at the date of ultimate settlement.

The Company changed its revenue recognition accounting policy for sales of concentrates in Quarter 4, 2008 whereby sales for 2008 are 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 will be subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes.

The change in policy in 2008 has resulted in 2008 sales revenues including shipments for all of 2008 together with shipments for the fourth quarter of 2007. The changes in accounting policy did not impact on the net income as concentrate inventories were valued at net realizable value at the end of 2007 and 2008 – reflecting the accounting policy for inventories being the lower of cost or net realizable value.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Policies

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Section 3064, "Goodwill and Intangible Assets" which replaced the Canadian Institute of Chartered Accountants' Handbook ("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 International Financial Reporting Standards ("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 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 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 financial position or results of operations for the year ended December 31, 2009.

Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ending December 31, 2009. This adoption resulted in additional disclosure as provided below.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair values of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. Equity investments classified as available for sale that do not have an active trading market are recorded at cost. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

	Level One	Level Two	Level Three
Cash	485,997	-	-
Long term deposit	118,818	-	-

3. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

New Accounting Policies (continued)

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 financial position or results of operations for the year ended December 31, 2009.

Future Accounting Pronouncements

IFRS

In January 2006, the CICA's Accounting Standards Board ("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. While the Company has begun assessing the impact of the adoption of IFRS on its consolidated financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued production and maintenance at the Omagh Mine and to acquire, explore and develop other precious and base metal deposits in Northern Ireland.

The Company considers its capital to be shareholders' equity which comprises share capital, warrants, contributed surplus and deficit, which at December 31, 2009 totaled $6,163,851 (2008 - $12,249,846). The Company manages its capital structure and makes adjustments to it, based on the level of funds available to the Company to manage its operations. In order to maintain or adjust the capital structure, the Company expects that it will be able to obtain equity financing and generate positive cash flow from operations to maintain and expand its operations. There are no assurances that these initiatives will be successful. Management reviews its capital management approach on an ongoing basis.

There were no changes in the Company's approach to capital management during the year ended December 31, 2009. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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 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 exchange rate 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.

5. FINANCIAL RISK FACTORS (Continued)

(b) Financial risk (Continued)

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, 2009, 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.

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 minimal 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.

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 they relate 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 twelve month period:

(i) The term loan facility and certain related party loans are subject to interest rate risk. As at December 31, 2009, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the period ended December 31, 2009 would have been approximately $30,000 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, 2009, shareholders' equity would have been approximately $30,000 higher/lower as a result of a 1% decrease/increase in interest rates from the term loan facility and certain related party loans.

5. FINANCIAL RISK FACTORS (Continued)

Sensitivity Analysis (continued)

(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, 2009, had the British pound weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, the Company's loss for the period ended December 31, 2009 would have been approximately $96,100 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at December 31, 2009, shareholders' equity would have been approximately $96,100 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.

(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 loss 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 $455,000

6. INVENTORY

	2009	2008
Concentrate inventory	**$ 33,990**	$ 12,796
Finished goods	**411,676**	639,510
	$ 445,666	$ 652,306

7. PROPERTY, PLANT AND EQUIPMENT

	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**

(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	December 31, 2008		
	Cost	Accumulated Amortization	Net
Freehold land and buildings	$ 3,020,913	$ 393,941	$ 2,626,972
Plant and machinery	5,589,818	2,110,532	3,479,286
Motor vehicles	64,820	45,395	19,425
Office equipment	79,575	52,384	27,191
Moulds	81,802	81,802	-
	$ 8,836,928	$ 2,684,054	$ 6,152,874

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 $46,000 (GBP 20,000) per year for the first three years with additional rent payable calculated on gold output after the first three years. In July 2007, the Company renewed its prospecting licenses for another two years expiring July 18, 2009 in respect to gold, silver and other metals. 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 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.

8. DEFERRED DEVELOPMENT AND EXPLORATION COSTS

	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

(Expressed in Canadian Dollars)

8. DEFERRED DEVELOPMENT AND EXPLORATION COSTS (continued)

	December 31, 2008		
	Cost	**Accumulated Amortization**	**Net**
Deferred development and exploration costs	$ 11,446,690	$ 844,834	$ 10,601,856

As as December 31, 2009, the Company recorded an impairment of $3,448,736 on it deferred development and exploration costs. See Note 7 for explanation.

The Company has recorded an asset retirement obligation in the amount of $447,400, equal to the amount of the bond that is required by the Crown in Northern Ireland.

9. FINANCING FACILITY

Amounts payable on the long term debt are as follows:

	Interest	**December 31, 2009**	**December 31, 2008**
Financing facility (238,700 GBP)	3.71%	**$ -**	$ 44,659
Financing facility (180,000 GBP)	3.97%	**-**	29,602
Financing facility (199,160 GBP)	4.03%	**111,932**	194,735
Term loan facility (250,000 GBP)	Bank rate + 2%	**-**	239,911
		111,932	508,907
Less current portion		**77,830**	309,043
		$ 34,102	$ 199,864

(i) On May 27, 2005, the Company obtained financing from Barclays Mercantile Business Finance Ltd. in the amount of $555,000 (238,700 GBP) for the purchase of mining equipment. The loan was for a period of four years at 3.71% with monthly principal and interest payments of $10,172 (5,071 GBP). The loan was secured by certain plant and machinery.

(ii) On March 17, 2006, the Company obtained financing from Barclays Mercantile Business Finance Ltd. in the amount of $365,400 (180,000 GBP) to assist in the purchase of certain metallurgical equipment having a cost of $728,770 (359,000 GBP). The loan was for a period of three years at 3.97% with monthly principal and interest payments of $11,658 (5,578 GBP).

(iii) 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 for the amount of $72,549 (33,764 GBP). The loan is secured by certain plant and machinery.

(Expressed in Canadian Dollars)

9. FINANCING FACILITY (Continued)

(iv) In June 2007, the Company obtained a loan facility from Allied Irish Bank plc in the amount of $490,000 (250,000 GBP). The term loan was for a period of three years at bank base rate plus 2%.

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

Principal repayments over the next two years are as follows:

2010	$	77,830
2011		34,102
	$	111,932

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, 2007	**175,675,855**	**$**	**26,134,279**
Issued under private placement (i)	11,290,000		496,760
Warrants issued (i)	-		(180,640)
Share issue costs	-		(14,401)
Balance, December 31, 2008	**186,965,855**		**26,435,998**
Shares issued for debt (ii)	3,134,200		141,799
Warrants issued	-		(47,010)
Balance, December 31, 2009	**190,100,055**	**$**	**26,530,787**

(i) On December 29, 2008, the Company closed a placement of 11,290,000 units for gross proceeds of $496,760 (282,250 GBP). Each unit was priced at approximately $0.044 (0.025 GBP) and was comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 12 months from closing at a price of approximately $0.09 (0.05 GBP). Total arrangement fee of $14,401 (8,113 GBP) was paid to the broker.

The fair value of the 11,290,000 warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 143%; risk-free interest rate - 1.10% and an expected life of 1 year. The fair value attributed to the warrants was $180,640.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(a) Authorized and issued (continued)

(ii) On January 14, 2009, the Company received consent from the TSX Venture 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 1 year. The fair value attributed to the warrants was $47,010.

(b) Warrants

The following table shows the continuity of warrants for the years ended December 31, 2009 and 2008:

	Number of Warrants	Weighted Average Price
Balance, December 31, 2007	**24,404,000**	**$ 0.34**
Issued (Note 10(a)(i))	11,290,000	0.09
Expired	(24,404,000)	(0.34)
Balance, December 31, 2008	**11,290,000**	**0.09**
Issued (Note 10(a)(ii))	3,134,200	0.09
Expired	(11,290,000)	(0.09)
Balance, December 31, 2009	**3,134,200**	**$ 0.09**

As at December 31, 2009, the following warrants were outstanding:

Number of Warrants	Fair Value ($)	Exercise Price ($)	Expiry Date
3,134,200	47,010	0.09	January 14, 2010

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(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 TSX Venture Exchange ("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 vesting schedule in respect of an option shall be determined by the board in accordance with applicable exchange or other regulatory requirements.

The following table shows the continuity of options for the years ended December 31, 2009 and 2008:

	Number of Options	Weighted Average Price
Balance, December 31, 2007	**10,550,000**	**$ 0.15**
Expired	(1,400,000)	0.15
Cancelled	(2,250,000)	0.15
Granted (i)(ii)	1,750,000	0.11
Balance, December 31, 2008 and December 31, 2009	**8,650,000**	**$ 0.14**

Stock-based compensation expense includes $102,631 (2008 - $333,310) relating to stock options granted in previous years that vested during the period ended December 31, 2009.

(i) On February 20, 2008, 250,000 stock options were granted to an employee of the Company to purchase common shares at a price of $0.16 per share until February 20, 2013. 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 $32,250 and will be expensed in the statements of operations and credited to contributed surplus as the options vest. Included in stock-based compensation is $6,272 (2008 - $25,531) related to the vested portion of these stock options.

(ii) On October 2, 2008, 1,500,000 stock options were granted to an employee and an officer of the Company to purchase common shares at a price of $0.10 per share until October 2, 2013. The options vest one-third upon grant, one-third on the first anniversary of grant and 1/3 on the second anniversary of grant. The fair value attributed to these options was $60,000 and will be expensed in the statements of operations and credited to contributed surplus as the options vest. Included in stock-based compensation is $25,000 (2008 - $27,500) related to the vested portion of these stock options.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(c) Stock options (continued)

All granted stock options were valued on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2008
Risk-free interest rate	3.11% - 3.50%
Expected life of options	5 years
Annualized volatility	112% - 126%
Dividend rate	0%

The following table reflects the Company's stock options outstanding and exercisable as at December 31, 2009:

Options Outstanding	Weighted Average Remaining Contractual Life (years)	Exercise Price ($)	Options Exercisable	Weighted Average Remaining Contractual Life (years)	Exercise Price ($)	Expiry Date
200,000	0.37	0.10	200,000	0.37	0.10	May 13, 2010
500,000	1.46	0.26	500,000	1.46	0.26	June 14, 2011
500,000	2.46	0.23	500,000	2.46	0.23	June 15, 2012
5,700,000	2.98	0.14	5,700,000	2.98	0.14	December 24, 2012
250,000	3.14	0.16	166,667	3.14	0.16	February 20, 2013
1,500,000	3.76	0.10	1,000,000	3.76	0.10	October 2, 2013
8,650,000	**2.94**	0.14	**8,066,667**	**2.89**	0.15	

11. TAXATION

(a) Provision for income taxes

The following table reconciles the expected income tax recovery at the statutory income tax rate to the amounts recognised in the statements of operations.

	2009	2008 (Restated) (Note15)
Loss before income taxes	**$ (6,361,697)**	$ (2,452,220)
Expected tax recovery at statutory rate of 33% (2008 - 33.5%)	**$ (2,099,400)**	$ (821,500)
Difference resulting from:		
Stock-based compensation	**44,200**	129,400
Foreign exchange	**(39,500)**	(71,100)
Foreign tax rate differential	**181,800**	80,932
Expiry of warrants	**29,800**	168,800
Non-capital losses not recognized	**1,883,100**	513,468
	$ -	$ -

(Expressed in Canadian Dollars)

11. TAXATION

(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:

		2009		2008 (Restated) (Note15)
Future income tax assets (liabilities)				
Non-capital losses	$	**4,936,200**	$	5,154,000
Share issue costs		**28,000**		84,200
Property, plant and equipment and deferred development costs		**(611,800)**		(1,844,200)
Valuation allowance		**(4,352,400)**		(3,394,000)
	$	**-**	$	-

(c) Losses carried forward

As at December 31, 2009, the Company had non-capital losses carried forward of $17,000,860 (2008 - $17,278,992) for income tax purposes as follows:

Expires	2010	$ 249,460
	2014	426,803
	2015	568,540
	2026	1,064,484
	2027	598,595
	2029	373,962
Indefinite		13,719,016
		$ 17,000,860

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 $Nil (2008 - $48,065) were paid or accrued during the period ended December 31, 2009.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (Continued)

	December 31, 2009		December 31, 2008	
	GBP	**CDN$**	**GBP**	**CDN$**
Amount owing to the President and companies controlled by the President of the Company. As at December 31, 2009, $nil (December 31, 2008 - $481,011 (268,781 GBP)) of the loan is secured by a second charge on the land owned by Omagh and the balance of the loan is unsecured. The loan bears interest at a base rate plus 2% and the balance is due on demand.	**-**	**-**	869,801	1,556,597
Amount owing to the company controlled by a director of the Company for financing of mining equipment. As at December 31, 2009, $nil (December 31, 2008 - $738,496 (412,660 GBP)) of the loan is for a period of 4.25 years, interest bearing at 4.04% and is secured by all of the equipment owned by the Company's wholly-owned subsidiary Omagh.	-	-	647,660	1,159,052
Amount owing to the President and Chief Executive Officer of the Company who agreed to lend up to a total of $943,000 (500,000 GBP) to the Company for a period of 6 months. The loan is secured by the Company's inventory with cross guarantees provided by the Company's subsidiaries. The loan bears interest at a base rate of 4.5% per annum, such interest to be calculated monthly and compounded until repaid.	**-**	**-**	115,549	206,787
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.	**1,661,552**	**2,811,014**	-	-
Directors current account	**109,277**	**184,873**	-	-
	1,770,829	**2,995,887**	1,633,010	2,922,436
Less: Current portion		**(2,995,887)**		(2,504,275)
Long-term portion		**-**		418,161

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (Continued)

During the year, 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. The Company can decide to purchase the mining equipment within the next year. If the Company decides to purchase the mining equipment, the Company may deduct from the purchase price 50% of the charges that it has paid to rent the equipment. The Company accrued charges of $129,837 (UK£ 76,745) which is also due on December 31, 2009 (2008 - UK£ nil).

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

- G&F Phelps amalgamated its 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 (UK£ 82,126) on the Company’s UK£ term loan facility;
- the Company has accrued a fee of $42,895 (UK£ 25,000) payable to G&F Phelps arising from the provision of limited support by them on certain financial obligations of the Company. This fee has been added to the outstanding loan of G&F Phelps; and
- the Company agreed 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 accounts payable and accrued liabilities. As at December 31, 2009 the amount of interest accrued is $213,713 (UK£ 126,323) (December 31, 2008 - $140,620 (UK£ 78,576)).

13. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non-cash working capital

AS AT DECEMBER 31,	2009	2008 (Restated (Note15)
Accounts receivable and advances	**$ (327,048)**	$ 248,364
Inventory	**206,640**	381,290
Accounts payable and accrued liabilities	**(59,108)**	173,989
Deferred revenue	**-**	(201,743)
	$ (179,516)	$ 601,900

(b) Supplemental information

Interest paid	**$ 88,892**	$ 191,251
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. RESTATEMENT OF FUTURE INCOME TAX

In 2008 the Company had recorded a future tax asset in its consolidated financial statements to recognize the estimated taxes recoverable that would be realized if its non-capital losses were applied against future income. According to Section 3465.24 of the CICA Handbook, the amount of the future tax asset recognized should be limited to the amount that is more likely than not to be realized. In light of the fact that the Company has not generated net income in any of the years from 2005 to 2008, nor in the current year, and considering that the Company does not expect to generate net income in the coming year, it does not appear that the requirement of Section 3465.24 of the CICA Handbook had been met in 2008. As such, the Company is restating the comparative figures in the current year's consolidated financial statements to reverse the future tax asset that had been recognized in the prior years. As a result of this restatement, the total assets in the Company's consolidated balance sheet for 2008 will be $18,426,892 which is $2,094,043 less than originally reported. The Company's opening deficit for 2008 will increase by $1,602,917 and its loss for that year will increase by $491,126 from the respective amounts originally reported. Hence the Company's restated closing deficit for 2008 will be $18,015,080 which is $2,094,043 more than originally reported.

16. CONTINGENT LIABILITY

Subsequent to December 31, 2009 the Company's subsidiary Omagh received a payment demand from Her Majesty's Revenue and Customs in the amount of $ 563,625 (UK£ 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. A formal 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