GALANTAS GOLD CORPORATION

Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(Unaudited)

For the Three and Nine Months Ended September 30, 2007

Responsibility for Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements for Galantas Gold Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the audited December 31, 2006 consolidated financial statements. Only changes in accounting information have been disclosed in these unaudited interim consolidated financial statements. These unaudited interim consolidated financial statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of these unaudited interim consolidated financial statements, management is satisfied that these unaudited interim consolidated financial statements have been fairly presented.

The accompanying unaudited interim consolidated financial statements of Galantas Gold Corporation for the three and nine months ended September 30, 2007 have been approved by the Audit Committee and Board of Directors of the Company. These interim consolidated financial statements have not been audited, reviewed or verified by the Company's external auditors or any other accounting firm.

GALANTAS GOLD CORPORATION

INTERIM CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)

(Unaudited)	**September 30, 2007**	December 31, 2006
Assets		
Current		
Cash	**$ 991,265**	$ 234,909
Accounts receivable and advances	**597,300**	397,953
Inventory	**116,030**	100,839
Future income taxes	**213,366**	213,366
	1,917,961	947,067
Property, plant and equipment (Note 4)	**15,289,632**	13,385,929
Deferred exploration costs (Note 5)	**1,159,511**	267,348
Future income taxes	**958,934**	958,934
	$ 19,326,038	$ 15,559,278
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 1,342,616**	$ 1,499,678
Current portion of financing facility (Note 6)	**680,310**	253,529
Due to related party (Note 8)	**64,703**	-
	2,087,629	1,753,207
Long-term portion of financing facility (Note 6)	**1,060,474**	379,773
	3,148,103	2,132,980
Shareholders' Equity		
Share capital (Note 7(a))	**25,791,005**	22,458,500
Warrants (Note 7(b))	**2,776,238**	1,913,100
Contributed surplus	**500,095**	848,985
	29,067,338	25,220,585
Deficit	**(12,889,403)**	(11,794,287)
	16,177,935	13,426,298
	$ 19,326,038	$ 15,559,278

Going concern (Note 1)

See accompanying notes to unaudited interim consolidated financial statements

GALANTAS GOLD CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

(Unaudited)	Three Months Ended September 30, 2007	2006	Nine Months Ended September 30, 2007	2006
Revenues				
Gold sales	**$ 715,080**	$ 15,673	**$ 717,647**	$ 30,565
Costs and expenses of mining operations				
Cost of sales	**909,123**	2,023	**910,415**	7,923
Amortization	**266,449**	163	**267,933**	3,180
	1,175,572	2,186	**1,178,348**	11,103
(Loss) income from mining operations	**(460,492)**	13,487	**(460,701)**	19,462
Expenses and other income				
Accounting and corporate	**13,423**	4,350	**26,737**	27,205
Bank charges and interest	**21,112**	7,780	**25,678**	11,114
Consulting fees	**-**	-	**5,489**	14,007
Foreign exchange (gain) loss	**(82,662)**	93,784	**(137,207)**	115,975
Legal and audit	**5,306**	6,325	**55,354**	186,759
Operating expenses	**290,427**	32,215	**349,592**	80,247
Shareholder communication and public relations	**46,328**	64,137	**172,873**	512,210
Stock-based compensation (Note 7(c))	**24,015**	15,638	**85,110**	179,304
Transfer agent	**3,443**	4,782	**19,638**	21,736
General office	**7,208**	23,130	**31,951**	54,478
Interest income	**(611)**	-	**(800)**	-
	327,989	252,141	**634,415**	1,203,035
Net loss and comprehensive loss	**$ (788,481)**	$ (238,654)	**$ (1,095,116)**	$ (1,183,573)
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding	**170,190,978**	153,977,882	**166,525,784**	141,870,343

See accompanying notes to unaudited interim consolidated financial statements

GALANTAS GOLD CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited)	**2007**	**2006**	**2007**	**2006**
Share Capital				
Balance, beginning of period	**$ 24,243,290**	$ 21,203,528	**$ 22,458,500**	$ 18,400,862
Issued under private placements, net of issue costs	**1,552,945**	3,168,072	**3,171,643**	3,168,072
Warrants issued	**(139,230)**	(2,417,400)	**(863,138)**	(2,417,400)
Stock options exercised	**50,000**	-	**590,000**	-
Stock options exercised - valuation	**84,000**	-	**434,000**	-
Warrants exercised	**-**	-	**-**	2,627,500
Warrants exercised - valuation	**-**	-	**-**	175,166
Balance, end of period	**$ 25,791,005**	$ 21,954,200	**$ 25,791,005**	$ 21,954,200
Warrants				
Balance, beginning of period	**$ 2,637,008**	$ -	**$ 1,913,100**	$ 175,166
Issued	**139,230**	2,417,400	**863,138**	2,417,400
Exercised	**-**	-	**-**	(175,166)
Balance, end of period	**$ 2,776,238**	$ 2,417,400	**$ 2,776,238**	$ 2,417,400
Contributed Surplus				
Balance, beginning of period	**$ 560,080**	$ 820,324	**$ 848,985**	$ 656,658
Stock options granted	**24,015**	15,638	**85,110**	179,304
Stock options exercised	**(84,000)**	-	**(434,000)**	-
Balance, end of period	**$ 500,095**	$ 835,962	**$ 500,095**	$ 835,962
Deficit				
Balance, beginning of period	**$ (12,100,922)**	$ (11,743,956)	**$ (11,794,287)**	$ (10,799,037)
Net loss	**(788,481)**	(238,654)	**(1,095,116)**	(1,183,573)
Balance, end of period	**$ (12,889,403)**	$ (11,982,610)	**$ (12,889,403)**	$ (11,982,610)

See accompanying notes to unaudited interim consolidated financial statements

GALANTAS GOLD CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

(Unaudited)	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss	**$ (788,481)**	$ (238,654)	**$ (1,095,116)**	$ (1,183,573)
Adjustments for non-cash items:				
Amortization	**266,449**	163	**267,933**	3,180
Stock-based compensation (Note 7(c))	**24,015**	15,638	**85,110**	179,304
Foreign exchange loss	**51,349**	-	**51,807**	-
Net change in non-cash working capital (Note 9)	**43,606**	260,154	**(371,600)**	402,550
	(403,062)	37,301	**(1,061,866)**	(598,539)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(147,921)**	(908,780)	**(2,171,636)**	(2,573,130)
Deferred exploration costs	**(441,885)**	(582,427)	**(892,163)**	(1,749,328)
	(589,806)	(1,491,207)	**(3,063,799)**	(4,322,458)
FINANCING ACTIVITIES				
Issue of common shares	**1,690,000**	3,500,000	**3,947,300**	6,127,500
Share issue costs	**(87,055)**	(331,928)	**(185,657)**	(331,928)
Advances from financing facility	**498,674**	-	**1,456,869**	365,400
Repayments of financing facility	**(184,992)**	(29,691)	**(349,387)**	(102,723)
Advances from (repayment to) related party	**64,703**	-	**64,703**	(253,103)
	1,981,330	3,138,381	**4,933,828**	5,805,146
NET CHANGE IN CASH	**988,462**	1,684,475	**808,163**	884,149
Effect of exchange rate changes on cash held in foreign currencies	**(51,349)**	**-**	**(51,807)**	**-**
CASH, BEGINNING OF PERIOD	**54,152**	321,659	**234,909**	1,121,985
CASH, END OF PERIOD	**$ 991,265**	$ 2,006,134	**$ 991,265**	$ 2,006,134

Supplemental cash flow information (Note 9)

See accompanying notes to unaudited interim consolidated financial statements

1. GOING CONCERN

These unaudited interim 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. The recoverability of these consolidated amounts, which includes the consolidated results of the Company's wholly-owned subsidiary Cavanacaw Corporation ("Cavanacaw"), is dependent on 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 of July 1, 2007, the mineral property is in the production stage and the directors believe that the capitalized development expenditures will be fully recovered by the 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.

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 interim consolidated financial statements do not reflect adjustments to the carrying value 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. The Company is developing an open pit mine to extract the Company's gold deposit near Omagh, Northern Ireland. The Company also has developed a premium jewelry 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

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2007 may not necessarily be indicative of the results that may be expected for the year ended December 31, 2007.

The consolidated balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2006, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2006.

Accounting changes

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

Financial instruments, comprehensive income (loss) and hedges

In January 2005, the CICA issued Handbook Sections 3855, “Financial Instruments – Recognition and Measurement”, 1530, “Comprehensive Income”, and 3865, “Hedges”. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective January 1, 2007.

(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 to 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.

3. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Financial instruments, comprehensive income (loss) and hedges (Continued)

(b) Comprehensive income (loss)

Section 1530 introduces a new 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.

(c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 “Hedging Relationships”, and the hedging guidance in Section 1650 “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

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

Under adoption of these new 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 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.

The adoption of these Handbook Sections had no impact on opening deficit.

Accounting policy choice for transaction costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments- Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

New revenue recognition policy

Sales of gold are recognized when title and risk have passed under the terms of the relevant sales contracts.

(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Future accounting changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These new standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning on January 1, 2008.

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 non-compliance.

The new 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 new 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 is currently assessing the impact of these new accounting standards on its consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2007		
	Cost	Accumulated Amortization	Net
Deferred development costs (1)	$ 9,044,613	$ 51,258	$ 8,993,355
Freehold land and buildings	3,000,940	113,139	2,887,801
Plant and machinery	4,542,949	1,191,378	3,351,571
Motor vehicles	61,438	37,609	23,829
Office equipment	79,575	46,499	33,076
Moulds	81,802	81,802	-
	$ 16,811,317	$ 1,521,685	$ 15,289,632

(1) Included in deferred development costs are sample income of $411,257 recognized prior to the Company went into production.

(Expressed in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

	December 31, 2006		
	Cost	Accumulated Amortization	Net
Deferred development costs	$ 7,275,572	$ -	$ 7,275,572
Freehold land and buildings	2,962,629	32,999	2,929,630
Plant and machinery	3,773,982	657,702	3,116,280
Motor vehicles	61,438	31,851	29,587
Office equipment	77,303	42,443	34,860
Moulds	81,802	81,802	-
	$ 14,232,726	$ 846,797	$ 13,385,929

Freehold land and buildings includes an asset retirement obligation of $101,900.

5. DEFERRED EXPLORATION COSTS

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Opening balance	$ 717,626	$ -	$ 267,348	$ -
Additions during the period:				
Wages	10,966	-	36,095	-
Drilling	389,430	-	792,494	-
Laboratory	41,489	-	63,574	-
	441,885	-	892,163	-
Total deferred exploration costs	$ 1,159,511	$ -	$ 1,159,511	$ -

(Expressed in Canadian Dollars)

6. FINANCING FACILITY

(i) In June 2007, the Company obtained financing from Barclays Mercantile Business Finance Ltd. in the amount of $404,554 (£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 $9,004 (£4,101 GBP), except for the third payment, which was paid for the amount of $74,129 (£33,764 GBP).

(ii) In June 2007, the Company obtained a loan facility from Allied Irish Bank plc in the amount of $507,825 (£250,000 GBP). The term loan is for a period of three years at 7.25% with monthly principal and interest payments of $17,000 (£7,743 GBP).

(iii) In September 2007, the Company obtained a loan facility from Welsh Gold plc, a company controlled by a director of the Company, in the amount of $544,490 (£268,050 GBP). The term loan is for a period of three years at 7.75% with monthly principal and interest payments of $18,374 (£8,369 GBP).

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

Amounts payable on the long term debt are as follows:

	Interest	September 30, 2007	December 31, 2006
Financing facility (£238,700 GBP)	3.71 %	$ 194,610	$ 319,201
Financing facility (£180,000 GBP)	3.97 %	192,808	314,101
Financing facility (£199,160 GBP) (i)	4.03 %	319,771	-
Term loan facility (£250,000 GBP) (ii)	7.25 %	489,105	-
Term loan facility (£268,050 GBP) (iii)	7.75 %	544,490	-
		1,740,784	633,302
Less current portion		680,310	253,529
		$ 1,060,474	$ 379,773

Principal repayments over the next four years are as follows:

2008	$ 680,310
2009	586,377
2010	409,153
2011	64,944
	$ 1,740,784

(Expressed in Canadian Dollars)

7. 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, 2006	157,851,855	$ 22,458,500
Issued under private placement (i) and (ii)	12,924,000	3,357,300
Warrants issued (i) and (ii)	-	(863,138)
Stock options exercised	4,900,000	590,000
Stock options exercised - valuation	-	434,000
Share issue costs (i) and (ii)	-	(185,657)
Balance, September 30, 2007	175,675,855	$ 25,791,005

(i) On March 2, 2007, the Company closed a placement of 5,284,000 units for gross proceeds of $1,717,300. Each unit is priced at $0.325 and is comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share within 18 months from closing at a price of $0.45. An arrangement fee of 5% for $85,865 was paid to the broker.

Other costs associated directly with the placing amounted to $12,737.

The placing shares are subject to a 4 month hold period which has expired on July 3, 2007.

The fair value of the 5,284,000 warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 115%; risk-free interest rate - 3.91% and an expected life of 1.5 years. The fair value attributed to the warrants was $723,908.

(ii) On September 4, 2007, the Company closed a placement of 7,640,000 units for gross proceeds of $1,640,000 (£764,000 GBP). Each unit is priced at approximately $0.21 (£0.10 GBP) and is comprised of one common share and one half warrant. Each warrant entitles the holder to purchase one common share within 12 months from closing at a price of approximately $0.32 (£0.15 GBP). Total arrangement fee of $70,838 (£33,000 GBP) was paid to the broker.

Other costs associated directly with the placing amounted to $16,217.

The placing shares are subject to a 4 month hold period that will expire on January 4, 2008.

The fair value of the 3,820,000 warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 87.4%; risk-free interest rate - 4.36% and an expected life of 1 year. The fair value attributed to the warrants was $139,230.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

(b) Warrants

The following table shows the continuity of warrants for the period ended September 30, 2007:

	Number of Warrants	Weighted Average Price
Balance, December 31, 2006	15,300,000	$ 0.32
Issued (Notes 7(a)(i) and 7(a)(ii))	9,104,000	0.40
Balance, September 30, 2007	24,404,000	$ 0.34

As at September 30, 2007, the following warrants were outstanding:

Number of Warrants	Fair Value ($)	Exercise Price ($)	Expiry Date
14,000,000	1,735,000	0.32	July 26, 2008
1,300,000	178,100	0.25	July 26, 2008
5,284,000	723,908	0.45	September 2, 2008
3,820,000	139,230	0.32	September 4, 2008
24,404,000	2,776,238		

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

(c) Stock options

The following table shows the continuity of options for the nine months ended September 30, 2007:

	Number of Options	Weighted Average Price
Balance, December 31, 2006	7,500,000	$ 0.14
Exercised	(4,900,000)	0.12
Granted (i)	500,000	0.23
Balance, September 30, 2007	3,100,000	$ 0.20

(i) On June 15, 2007, 500,000 stock options were granted to an employee of the Company to purchase common shares at a price of $0.23 per share until June 15, 2012. 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 of the options was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield - 0%; volatility - 107%; risk-free interest rate - 4.63% and an expected life of 5 years. The fair value attributed to these options was $96,000 and will be expensed in the statements of loss and comprehensive loss and credited to contributed surplus as the options vest. Included in the stock-based compensation for the three and nine months ended September 30, 2007 is $12,000 and $48,000 respectively related to the vested portion of these stock options.

(ii) Stock-based compensation expense includes $12,015 and $37,110 relating to stock options granted in previous years that vested during the three and nine months ended September 30, 2007.

As at September 30, 2007, the following stock options were outstanding:

Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
1,400,000	1,400,000	0.15	April 10, 2008
200,000	200,000	0.10	May 13, 2010
666,667	1,000,000	0.26	June 14, 2011
166,667	500,000	0.23	June 15, 2012
2,433,334	3,100,000		

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

For the three and nine months ended September 30, 2007, the Company was charged $14,202 and $33,546 (three and nine months ended September 30, 2006 - $7,995 and $32,921) for accounting and corporate secretarial services by companies associated to an officer of the Company. Accounts payable includes $32,976 (September 30, 2006 - $5,922) owing to these companies.

During the three and nine months ended September 30, 2007, the Company paid or accrued to management in salary $76,240 and $210,400 (three and nine months ended September 30, 2006 - $62,700 and $188,100). $nil and $134,160 (three and nine months ended September 30, 2006 - $62,700 and $188,100) of these amounts were capitalized to deferred development costs and $76,240 (three and nine months ended September 30, 2006 - $nil) was expensed to the statements of loss and comprehensive loss as operating expenses.

Director fees of $4,500 and $23,000 (three and nine months ended September 30, 2006 - $10,447 and $17,447) were paid or accrued during the three and nine months ended September 30, 2007.

Included due to related party is $64,703 (£31,853 GBP) (September 30, 2006 - $nil) owing to a director of the Company. The loan is unsecured and non-interest bearing with no specific terms of repayment.

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

9. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non-cash working capital

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Accounts receivable and advances	$ (120,861)	$ 8,634	$ (199,347)	$ (90,488)
Inventory	(3,183)	(1,462)	(15,191)	1,385
Accounts payable and accrued liabilities	167,650	252,982	(157,062)	491,653
	$ 43,606	$ 260,154	$ (371,600)	$ 402,550

(b) Supplemental information

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Amortization capitalized to deferred development costs	$ -	$ 86,978	$ 406,955	$ 224,742
Interest paid	$ 27,324	$ 19,901	$ 49,839	$ 43,124

Interest paid includes $27,324 and $49,839 (three and nine months ended September 30, 2006 - $12,121 and $32,010) of interest paid on the financing facility for the three and nine months ended September 30, 2007. Of these amounts, $nil and $22,515 (three and nine months ended September 30, 2006 - $12,121 and $32,010) were charged to deferred development costs and $27,324 (three and nine months ended September 30, 2006 - $nil) was expensed to the statements of loss and comprehensive loss.

10. 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 Corporation and its subsidiaries, Omagh and Galantas. Substantially all of the Company's revenues, costs and assets of the business that support these operations are derived or located in Northern Ireland.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.