GALANTAS GOLD CORPORATION

Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(Unaudited)
Three and Nine Months Ended September 30, 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Galantas Gold Corporation were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2009 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim 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.

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 unaudited interim 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 unaudited interim consolidated financial statements and (ii) the unaudited interim 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 unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim 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 unaudited interim 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 unaudited interim 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.

NOTICE TO READER

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

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

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

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

	September 30, 2010	December 31, 2009
Assets		
Current		
Cash	**$ 2,951,892**	$ 485,997
Accounts receivable and advances	**1,137,205**	657,515
Inventory (Note 6)	**427,582**	445,666
	4,516,679	1,589,178
Property, plant and equipment (Note 7)	**3,571,083**	3,691,172
Long-term deposit	**272,699**	118,818
Deferred development and exploration costs (Note 8)	**6,166,216**	6,547,135
	$ 14,526,677	$ 11,946,303
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 1,594,051**	$ 2,097,396
Current portion of financing facility (Note 9)	**37,259**	77,830
Due to related party (Note 11)	**3,012,762**	3,125,724
	4,644,072	5,300,950
Asset retirement obligation	**447,400**	447,400
Long-term portion of financing facility (Note 9)	**14,530**	34,102
	5,106,002	5,782,452
Shareholders' Equity		
Share capital (Note 10(a))	**27,801,882**	26,530,787
Warrants (Note 10(b))	**976,414**	47,010
Contributed surplus	**4,017,788**	3,962,831
	32,796,084	30,540,628
Deficit	**(23,375,409)**	(24,376,777)
	9,420,675	6,163,851
	$ 14,526,677	$ 11,946,303

Going concern (Note 1)
Contingent liability (Note 14)

See accompanying notes to unaudited interim consolidated financial statements

GALANTAS GOLD CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Revenues				
Gold sales	**$ 1,759,978**	$ 950,950	**$ 5,244,089**	$ 3,742,197
Cost and expenses of operations				
Cost of sales	**1,118,807**	808,622	**3,125,974**	2,611,291
Amortization and depreciation	**133,362**	397,181	**582,376**	1,026,620
	1,252,169	1,205,803	**3,708,350**	3,637,911
Income (loss) before the undernoted	**507,809**	(254,853)	**1,535,739**	104,286
General administrative expenses				
Other operating expenses	**123,214**	159,532	**343,494**	474,974
Accounting and corporate	**15,225**	13,554	**43,943**	40,547
Legal and audit	**47,343**	30,238	**99,441**	68,827
Stock-based compensation (Note 10(c))	**2,500**	32,834	**7,947**	106,068
Shareholder communication and investor relations	**25,198**	27,332	**78,559**	97,254
Transfer agent	**3,605**	2,058	**24,406**	14,710
General office	**10,086**	1,553	**29,990**	22,628
Bank interest and fees	**23,395**	69,921	**70,610**	134,263
Subtotal	**250,566**	337,022	**698,390**	959,271
Foreign exchange loss (gain)	**100,261**	(426,887)	**(164,019)**	(165,659)
	350,827	(89,865)	**534,371**	793,612
Net income (loss) and comprehensive income (loss) before income tax provision	**156,982**	(164,988)	**1,001,368**	(689,326)
Income tax provision	**-**	-	**-**	-
Net income (loss) and comprehensive income (loss) for the period	**$ 156,982**	$ (164,988)	**$ 1,001,368**	$ (689,326)
Basic and diluted income (loss) per share	**$ 0.00**	$ (0.00)	**$ 0.00**	$ (0.00)
Weighted average number of shares outstanding - basic	**230,141,606**	190,100,055	**205,150,375**	189,931,180
Dilutive effect of stock options and warrants	**-**	-	**-**	-
Weighted average number of shares outstanding - diluted	**230,141,606**	190,100,055	**205,150,375**	189,931,180

See accompanying notes to unaudited interim consolidated financial statements

GALANTAS GOLD CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Deficit, beginning of period	**$ (23,532,391)**	$ (16,445,375)	**$ (24,376,777)**	$ (15,921,037)
Net income (loss) for the period	**156,982**	(164,988)	**1,001,368**	(689,326)
Deficit, end of period	**$ (23,375,409)**	$ (16,610,363)	**$ (23,375,409)**	$ (16,610,363)

See accompanying notes to unaudited interim consolidated financial statements

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

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2008	**$ 26,435,998**	**$ 180,640**	**$ 3,648,288**	**$ (15,921,037)**	**$ 14,343,889**
Shares issued for debt	141,799	-	-	-	141,799
Warrants issued	(47,010)	47,010	-	-	-
Stock-based compensation	-	-	106,068	-	106,068
Net loss	-	-	-	(689,326)	(689,326)
Balance, September 30, 2009	**$ 26,530,787**	**$ 227,650**	**$ 3,754,356**	**$ (16,610,363)**	**$ 13,902,430**

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2009	**$ 26,530,787**	**$ 47,010**	**$ 3,962,831**	**$ (24,376,777)**	**$ 6,163,851**
Shares issued under private placement (Note 10(a))	2,277,500	-	-	-	2,277,500
Warrants issued	(976,414)	976,414	-	-	-
Share issue costs	(29,991)	-	-	-	(29,991)
Stock-based compensation (Note 10(c))	-	-	7,947	-	7,947
Warrants expired	-	(47,010)	47,010	-	-
Net income	-	-	-	1,001,368	1,001,368
Balance, September 30, 2010	**$ 27,801,882**	**$ 976,414**	**$ 4,017,788**	**$ (23,375,409)**	**$ 9,420,675**

GALANTAS GOLD CORPORATION

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, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net income (loss) for the period	**$ 156,982**	$ (164,988)	**$ 1,001,368**	$ (689,326)
Adjustments for non-cash items:				
Amortization and depreciation	**133,362**	397,181	**582,376**	1,026,620
Stock-based compensation (Note 10(c))	**2,500**	32,834	**7,947**	106,068
Foreign exchange	**65,670**	(34,625)	**(53,154)**	(4,724)
Net change in non-cash working capital (Note 12(a))	**(19,622)**	4,228	**(964,952)**	(435,596)
	338,892	234,630	**573,585**	3,042
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(65,895)**	(2,140)	**(68,181)**	1,946
Deferred development and exploration costs	**(8,165)**	(247,092)	**(13,185)**	(267,063)
Long term deposits	**(34,991)**	-	**(153,881)**	-
	(109,051)	(249,232)	**(235,247)**	(265,117)
FINANCING ACTIVITIES				
Issue of common shares, net of costs	**1,214,441**	-	**2,247,508**	-
Net repayments of financing facility	**(17,291)**	(221,649)	**(60,143)**	(376,906)
(Repayments) advances from related party	**16,715**	(174,654)	**(19,524)**	158,842
	1,213,865	(396,303)	**2,167,841**	(218,064)
NET CHANGE IN CASH	**1,443,706**	(410,905)	**2,506,179**	(480,139)
Effect of exchange rate changes on cash held in foreign currencies	**(1,672)**	34,625	**(40,284)**	4,724
CASH, BEGINNING OF PERIOD	**1,509,858**	488,354	**485,997**	587,489
CASH, END OF PERIOD	**$ 2,951,892**	$ 112,074	**$ 2,951,892**	$ 112,074

SUPPLEMENTAL CASH FLOW INFORMATION (Note 12(b))

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

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

As at September 30, 2010, the Company had a deficit of $23,375,409 (December 31, 2009 - $24,376,777). Management is confident that it will be able to secure the required financing to enable the Company to continue as a going concern. However, this is subject to a number of factors including market conditions. These unaudited interim 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

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian GAAP 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 months ended September 30, 2010 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2010.

The consolidated balance sheet at December 31, 2009 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 GAAP for annual consolidated financial statements. The unaudited 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, 2009. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2009.

Future Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

On 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. The Company is currently in the process of evaluating the potential impact of IFRS to its financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. It is anticipated that the Company's financial results and financial position as disclosed in the Company’s current Canadian GAAP financial statements will not be significantly different when presented in accordance with IFRS.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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

4. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, comprising share capital, warrants, contributed surplus and deficit which at September 30, 2010 totaled $9,420,675 (December 31, 2009 - $6,163,851). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on its gold production activities. Selected information is frequently provided to the Board of Directors of the Company. The Company’s capital management objectives, policies and processes have remained unchanged during the three and nine months ended September 30, 2010. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

5. FINANCIAL RISK FACTORS

(a) Property risk

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

5. FINANCIAL RISK FACTORS (Continued)

(b) Financial risk (Continued)

Credit risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company manages liquidity risk by monitoring maturities of financial commitments and maintaining adequate cash reserves and available borrowing facilities to meet these commitments as they come due. As at September 30, 2010, the Company had negative working capital. All of the Company's financial liabilities have contractual maturities of less than 30 days other than the financing facility and certain related party loans. The Company is using operating cash flows to manage and is seeking additional capital to increase liquidity. As of September 30, 2010, the Company was cash flow positive.

Market Risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has 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 it relates to gold to determine the appropriate course of action to be taken by the Company.

5. FINANCIAL RISK FACTORS (Continued)

Sensitivity Analysis

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

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

(i) The term loan facility and certain related party loans are subject to interest rate risk. As at September 30, 2010, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the three and nine months ended September 30, 2010 would have been approximately $20,000 lower/higher, as a result of lower/higher interest rates from the term loan facility and certain related party loans. Similarly, as at September 30, 2010, shareholders' equity would have been approximately $20,000 higher/lower as a result of a 1% decrease/increase in interest rates from the term loan facility and certain related party loans.

(ii) The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable and advances, long-term deposit, accounts payable and accrued liabilities, due to related party and financing facility that are denominated in British pounds. As at September 30, 2010, had the British pound weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, the Company’s loss for the three and nine months ended September 30, 2010 would have been approximately $122,500 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at September 30, 2010, shareholders' equity would have been approximately $122,500 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 $583,000

Fair Value Hierarchy and Liquidity Risk Disclosure

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2010:

	Level One	Level Two	Level Three
Cash	-	2,951,892	-
Long term deposit	-	272,699	-

(Expressed in Canadian Dollars)

6. INVENTORY

	September 30, 2010	December 31, 2009
Concentrate inventory	**$ 75,680**	$ 33,990
Finished goods	**351,902**	411,676
	$ 427,582	$ 445,666

7. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2010			
	Cost	Accumulated Amortization	Impairment	Net
Freehold land and buildings	$ 3,020,913	$ 462,954	$ 877,140	$ 1,680,819
Plant and machinery	5,668,668	2,825,254	978,876	1,864,538
Motor vehicles	65,724	50,916	4,112	10,696
Office equipment	81,715	61,137	5,548	15,030
Moulds	81,802	81,802	-	-
	$ 8,918,822	$ 3,482,063	$ 1,865,676	$ 3,571,083

	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)

8. DEFERRED DEVELOPMENT AND EXPLORATION COSTS

	September 30, 2010		
	Cost	**Accumulated Amortization**	**Net**
Deferred development and exploration costs	$ 11,908,655	$ 2,293,703	$ 9,614,952
Impairment	(3,448,736)	-	(3,448,736)
	$ 8,459,919	$ 2,293,703	$ 6,166,216

	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

9. FINANCING FACILITY

Amounts payable on the long term debt are as follows:

	Interest	**September 30, 2010**	**December 31, 2009**
Financing facility	4.03 %	**$ 51,789**	$ 111,932
		51,789	111,932
Less current portion		**37,259**	77,830
		$ 14,530	$ 34,102

Principal repayments over the next two years are as follows:

2010	$ 37,259
2011	14,530
	$ 51,789

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

(a) Authorized and issued

Authorized
Unlimited number of common and preference shares issuable in Series

Issued common shares

	Number of Shares	Stated Value
Balance, December 31, 2009	190,100,055	$ 26,530,787
Issued under private placement (i)(ii)	45,550,000	2,277,500
Warrants issued (i)(ii)	-	(976,414)
Share issue costs	-	(29,991)
Balance, September 30, 2010	**235,650,055**	**$ 27,801,882**

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

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

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

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

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(b) Warrants

The following table shows the continuity of warrants for the nine months ended September 30, 2010:

	Number of Warrants	Weighted Average Price
Balance, December 31, 2009	3,134,200	$ 0.09
Issued	45,550,000	0.10
Expired	(3,134,200)	(0.09)
Balance, September 30, 2010	**45,550,000**	**$ 0.10**

As at September 30, 2010, the following warrants were outstanding:

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

(c) Stock options

The following table shows the continuity of options for the nine months ended September 30, 2010:

	Number of Options	Weighted Average Price
Balance, December 31, 2009	8,650,000	$ 0.14
Expired	(200,000)	(0.10)
Cancelled	(1,150,000)	(0.20)
Balance, September 30, 2010	**7,300,000**	**$ 0.14**

Stock-based compensation expense includes $2,500 and $7,947, respectively (three and nine months ended September 30, 2009 - $32,834 and $106,068, respectively) relating to stock options granted in previous years that vested during the three and nine months ended September 30, 2010.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

The following table reflects the Company's stock options outstanding and exercisable as at September 30, 2010:

Options Outstanding	Weighted Average Remaining Contractual Life (years)	Exercise Price ($)	Options Exercisable	Weighted Average Remaining Contractual Life (years)	Exercise Price ($)	Expiry Date
500,000	1.71	0.23	500,000	1.71	0.23	June 15, 2012
5,300,000	2.24	0.14	5,300,000	2.24	0.14	December 24, 2012
1,500,000	3.01	0.10	1,000,000	3.01	0.10	October 2, 2013
7,300,000	**2.36**	0.14	**6,800,000**	**2.36**	0.14	

11. 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 $10,000 and $29,000 (three and nine months ended September 30 2009 - $nil and $18,000) were paid or accrued during the three and nine months ended September 30, 2010.

	September 30, 2010		December 31, 2009	
	GBP	CDN$	GBP	CDN$
G&F Phelps amalgamated loans, a Company controlled by a director of the Company, bearing interest at 2% above UK base rates, repayable on demand and secured by a mortgage debenture over all of the Company's assets.	**1,750,682**	**2,835,755**	1,738,297	2,940,851
Directors current account	**109,277**	**177,007**	109,277	184,873
	1,859,959	**3,012,762**	1,847,574	3,125,724
Less: Current portion		**(3,012,762)**		(3,125,724)
Long-term portion		**-**		-

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (Continued)

During 2009, the Company signed an agreement for the rent of mining equipment with G&F Phelps Limited ("G&F Phelps"), a Company controlled by a director of the Company. During the three and nine months ended September 30, 2010 the amount charged by G&F Phelps for the rental of the mining equipment totaled $60,147 and $145,429, respectively ($40,943 and $81,018, respectively for the three and nine months ended September 30, 2009). At September 30, 2010 the amount payable to G&F Phelps for the rent of the mining equipment which is currently due and is included with loans to related party on the balance sheet amounted to $103,994 (UK£ 64,202) (December 31, 2009 $ 129,827 UK£ 76,745).

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

- G&F Phelps amalgamated it's UK loans to the Company and took over all loans from Welsh Gold plc and the President and Chief Executive Officer of the Company to Galantas. The amalgamated loans bear interest at 2% above UK base rate, are repayable on demand and are secured by a mortgage debenture over all the Company's assets;
- G&F Phelps extended this loan arrangement with the Company by repaying the balance of $140,012 (UK£ 82,126) on the Company's UK£ term loan facility;
- the Company have accrued a fee of $40,495 (UK£ 25,000) payable to G&F Phelps arising from the provision of limited support by them on certain financial obligations of the Company, and
- the Company to repay to G&F Phelps any costs incurred by G&F Phelps as a result of it entering into these agreements.

Interest accrued on related party loans is included under accounts payable and accrued liabilities. As at September 30, 2010 the amount of interest accrued is $261,415 (UK£ 161,387) (December 31, 2009 - $213,713 (UK£ 126,323)).

12. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non-cash working capital

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Accounts receivable and advances	**$ (20,483)**	$ 132,919	**$ (479,690)**	$ (230,960)
Inventory	**(1,967)**	60,152	**18,084**	31,600
Accounts payable and accrued liabilities	**2,828**	(188,843)	**(503,346)**	(236,236)
	$ (19,622)	$ 4,228	**$ (964,952)**	$ (435,596)

(b) Supplemental information

Interest paid	**$ 19,716**	$ 18,805	**$ 55,711**	$ 67,541
Shares issued for debt payment	**$ -**	$ -	**$ -**	$ 141,799

13. 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.

14. CONTINGENT LIABILITY

During the three and nine months ended September 30, 2010 the Company’s subsidiary Omagh received a payment demand from Her Majesty’s Revenue and Customs in the amount of $539,638 (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. An appeal has been lodged and the Company’s subsidiary Omagh intends to vigorously defend itself against this claim. No provision has been made for the claim in the consolidated financial statements.