

Galway Resources Ltd.
(A Development Stage Company)

Interim Consolidated Financial Statements
March 31, 2006

(Unaudited)

GALWAY RESOURCES LTD.
(A Development Stage Company)
Interim Consolidated Balance Sheets

Unaudited

	March 31, 2006	December 31, 2005
ASSETS		
Current		
Cash and cash equivalents	\$ 443,277	\$ 167,130
Accounts receivable	5,178	414
Prepaid expenses	34,490	7,723
	<u>482,945</u>	<u>175,267</u>
Equipment (Note 4)	4,906	2,878
Resource Property Costs (Note 5)	14,447	--
	<u>\$ 502,298</u>	<u>\$ 178,145</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 199,647	\$ 130,334
Due to related parties (Note 8)	3,968	12,871
	<u>203,615</u>	<u>143,205</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)		
Authorized:		
Unlimited common shares without par value		
Issued, allotted and fully paid:		
10,351,913 (2005 – 6,138,000 common shares)	995,508	376,789
Deficit (Note 2)	(696,825)	(341,849)
	<u>298,683</u>	<u>34,940</u>
	<u>\$ 502,298</u>	<u>\$ 178,145</u>

ON BEHALF OF THE BOARD:

“Robert Hinchcliffe” , Director

“David E. De Witt” , Director

- See Accompanying Notes -

GALWAY RESOURCES LTD.*(A Development Stage Company)***Interim Consolidated Statements of Loss and Deficit***Unaudited*

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Expenses		
Amortization	\$ 303	\$ --
Exploration costs – <i>Exploration Costs Schedule</i>	261,262	--
General and administrative expenses	20,738	--
Listing and filing fees	15,385	--
Professional fees	39,495	--
Travel	13,398	--
Total Expenses	350,581	--
Other Items		
Foreign exchange loss	4,395	--
Loss for the Period	(354,976)	--
Deficit - Beginning of period	(291,849)	(461)
Restatement – Change in accounting policy <i>(Notes 2 and 5)</i>	(50,000)	--
Deficit - End of Period	\$ (696,825)	\$ (461)
Loss per Share - Basic and Diluted	\$ (0.06)	\$ --
Weighted Average Number of Common Shares	6,138,000	200

- See Accompanying Notes -

GALWAY RESOURCES LTD.
(A Development Stage Company)
Interim Consolidated Statements of Cash Flows
Unaudited

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Cash Resources Provided By (Used In):		
Operating Activities		
Loss for the period	\$ (354,976)	\$ --
Items not affecting cash:		
Amortization	303	--
	<u>(354,673)</u>	<u>--</u>
Changes in current assets and liabilities:		
Accounts receivable	(4,764)	--
Accounts payable and accrued liabilities	69,313	--
Prepaid expenses	(26,767)	--
	<u>(316,891)</u>	<u>--</u>
Investing Activities		
Purchase of equipment	(2,331)	--
Resource property acquisition costs	(14,447)	--
	<u>(16,778)</u>	<u>--</u>
Financing Activities		
Shares allotted	632,087	--
Share issuance costs	(13,368)	--
Due to related parties	(8,903)	--
	<u>609,816</u>	<u>--</u>
Net Increase in Cash and Cash Equivalents	276,147	
Cash and cash equivalents - Beginning of Period	167,130	--
Cash and Cash Equivalents - End of Period	\$ 443,277	\$ --

GALWAY RESOURCES LTD.*(A Development Stage Company)***Interim Consolidated Schedule of Exploration Costs***Unaudited*

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Indian Springs, Nevada, USA		
Geological and field expenses	\$ 101,077	\$ --
Maps, reports and data	34,137	--
Mineral property fees	15,383	--
Travel	21,712	--
Supplies	2,144	--
General	693	--
	<hr/> 175,146	<hr/> --
General Exploration		
Geological, mining and other consulting	75,848	--
Travel	9,454	--
General	814	--
	<hr/> 86,116	<hr/> --
Costs for the Period	<hr/> \$ 261,262	<hr/> \$ --

- See Accompanying Notes -

GALWAY RESOURCES LTD.
(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

March 31, 2006
Unaudited

1. Nature of Operations

Galway Resources Ltd. ("the Company") was incorporated under the Business Corporations Act of British Columbia on August 31, 2004. The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4 and was listed on the TSX-V on October 27, 2005. The principle business of the Company is to identify and evaluate opportunities for the acquisition of an interest in resource based assets or businesses and, once identified, to negotiate an acquisition or participation.

The Company has changed its fiscal year end from May 31 to December 31 commencing December 31, 2005.

2. Significant Accounting Policies

These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements, with the following exceptions:

Basis of presentation:

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Galway Resources US Inc. All significant inter-company transactions and balances have been eliminated.

These interim consolidated financial statements should be read in conjunction with the audited financial statements as at December 31, 2005.

Change in accounting policy:

Effective January 1, 2006 the Company has adopted the following accounting policy with respect to exploration expenditures and acquisition payments:

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no economically feasible ore body is discovered, previously capitalized costs are expensed in the period the property is abandoned. Capitalized costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

This change in accounting policy requires the Company to restate the comparative figures presented in these interim consolidated financial statements as in the period prior to January 1, 2006 the Company's policy was to capitalize all mineral acquisition and exploration costs.

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

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2. Significant Accounting Policies – Continued**Change in accounting policy: – Continued**

The following is a summary of the accounts which have been affected as a result of the restatement for the change in accounting policy as at December 31, 2005:

Deficit, end of period – as previously reported	\$	(291,849)
Restatement for change in accounting policy – exploration expenditures		<u>(50,000)</u>
Deficit, end of period – as restated	\$	(341,849)
<hr/>		
Resource Property Costs, end of period – as previously reported	\$	50,000
Restatement for change in accounting policy – exploration expenditures		<u>(50,000)</u>
Resource Property Costs, end of period – as restated	\$	--

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

4. Equipment

Details are as follows:

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
Office equipment	\$ 5,717	\$ 811	\$ 4,906	\$ 2,878

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5. Resource Property Costs

Cumulative resource expenditures per project under active exploration:

	Acquisition	Total March 31, 2006	Total December 31, 2005
Indian Springs Project	\$ 14,447	\$ 14,447	\$ --

The Company entered into an agreement with Geological Services Inc. ("GSI") on February 27, 2006 to obtain an option to acquire 100% interest in the Indian Springs Project. Pursuant to the agreement, the Company may exercise its right to acquire an undivided 100% right, title and interest in and to the Indian Springs Project by paying an aggregate of US\$300,000 and issuing a total of 2,000,000 Shares to GSI as follows:

- payment of US\$12,500 on or before February 15, 2006 (Paid);
- issuance of 400,000 Shares on or before April 25, 2006 (Issued);
- payment of US\$40,000 and issuance of 400,000 Shares on April 25, 2007;
- payment of US\$60,000 and issuance of 400,000 Shares on April 25, 2008;
- payment of US\$75,000 and issuance of 400,000 Shares on April 25, 2009; and
- payment of US\$112,500 and issuance of 400,000 Shares on April 25, 2010.

Upon completion of these payments, the Company will own an undivided 100% right, title and interest in and to the Indian Springs Project, subject to a 2.0% net smelter royalty (NSR) due to GSI on future production from Indian Springs. The Company has the option to buy 1.0% of the NSR royalty for US\$1,000,000 and has the right of first offer to purchase the remaining 1.0% NSR royalty.

The Company shall have the right, on payment of US\$150,000 to the owner of the net smelter royalty within 60 days from the date that construction begins for commercial production on the mineral claims comprising the Indian Springs Project, to elect to establish a floor price of US\$100 per metric ton unit for the price of APT Tungsten as quoted by Metal Bulletin; no net smelter royalty payments shall be owing by the Company for any and each calendar month during which the average 30-day price of APT Tungsten as quoted by Metal Bulletin is below the floor price.

The Company will assume responsibility for all continuing property maintenance payments (which presently total approximately US\$15,000 per annum) until such time as the Company acquires a 100% interest in the Indian Springs Project.

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5. Resource Property Costs – Continued

Restatement

Comparative period numbers have been restated for the change in accounting policy with respect to exploration expenditures as described in Note 2. A restatement of \$50,000 was required as the Company had capitalized exploration expenditures as of the year ended December 31, 2005.

6. Share Capital

a) **Details of share capital are as follows:**

	Shares	Amount	Contributed Surplus	Total
Authorized:				
Unlimited common shares without par value				
Issued and fully paid:				
Balance – December 31, 2004	200	\$ 10	\$ --	\$ 10
Shares issued for seed capital	4,137,800	206,890	--	206,890
Shares issued for initial public offering	2,000,000	200,000	--	200,000
Share issuance costs	--	(72,880)	--	(72,880)
Stock-based compensation	--	--	42,769	42,769
Balance – December 31, 2005	6,138,000	334,020	42,769	376,789
Shares allotted	4,213,913	632,087	--	632,087
Share issuance costs	--	(13,368)	--	(13,368)
Balance – March 31, 2006	10,351,913	\$ 952,739	\$ 42,769	\$ 995,508

b) **Stock Split**

The Company received shareholder and TSX-V approval to complete a two-for-one stock split. The record date for the stock split was March 24, 2006 and was completed by way of push-out without any corresponding change of name of the Company. All share information prior to March 24, 2006 has been restated to reflect the effects of the share split.

c) **Share Purchase Options**

- i) The Company has established a share purchase option plan (the "Plan") whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or management company employees. Options granted must be exercised not later than five years from the date of grant or such lesser or greater period as may be

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6. Share Capital – Continued

c) **Share Purchase Options – Continued**

determined by the Company's board of directors and in accordance with the policies of the TSX-V. The exercise price of an option must be determined by the board of directors and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

- ii) A summary of the Company's options, which includes options issued under the Company's stock option plan and agent's options, at March 31, 2006 and the changes for the period are as follows:

Exercise Price	Outstanding December 31, 2005	Granted	Exercised	Expired or Cancelled	Outstanding March 31, 2006	Expiry date
\$0.10	400,000	-	-	-	400,000	October 19, 2010
\$0.10	200,000	-	-	-	200,000	October 27, 2007
	600,000	-	-	-	600,000	
Weighted average exercise price	\$0.10	-	-	-	\$0.10	

d) **Escrow Shares**

As at March 31, 2006, 4,138,000 shares are held in escrow. These common shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

7. Stock-Based Compensation

The Company has adopted the recommendations of CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments. The standard requires stock-based awards made to employees and non-employees be measured and recognized using a fair value based method.

On October 19, 2005, the Company granted directors and officers of the Company stock options to purchase up to 400,000 common shares of the Company at an exercise price of \$0.10 per share, with an estimated value of \$31,193 on the grant date. In addition the Company granted 200,000 agent's options on October 27, 2005 at an exercise price of \$0.10 per share, with an estimated value of \$11,576 on the grant date. As all options were immediately exercisable on the grant date a total fair value of \$42,769 has been recorded as an expense during the year and a credit to contributed surplus.

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7. Stock-based Compensation – Continued

The fair value of options granted on October 19, 2005 and October 27, 2005 are estimated on their grant date using the Black-Scholes option-pricing model with the following assumptions:

	Director's and Officer's Options Granted on October 19, 2005	Agent's Options Granted on October 27, 2005
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	110%	110%
Risk-free interest rate	3.60%	3.31%
Expected life of options	5 years	2 years

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

8. Related Party Transactions

Except as noted elsewhere in these financial statements, related party transactions are as follows:

As at March 31, 2006, \$2,336 was owing to a director of the Company. The amount relates to office and travel expenses which were incurred in the normal course of business.

Also, as at March 31, 2006, \$1,632 was owing to Pathway Capital Ltd., a related company with a director in common with the Company, for expenses paid on behalf of the Company. The expenses were incurred in the normal course of business.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Segmented Information

Details are as follows:

	Canada	USA	South America	Total
March 31, 2006				
Segmented operating loss	\$ 60,707	\$ 237,800	\$ 56,469	\$ 354,976
Identifiable assets	\$ 481,707	\$ 15,956	\$ 4,635	\$ 502,298
December 31, 2005				
Segmented operating loss (Note 2)	\$ 75,521	\$ 156,920	\$ 108,947	\$ 341,388
Identifiable assets (Note 2)	\$ 175,267	\$ --	\$ 2,878	\$ 178,145

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10. Subsequent Events

a) Closing of Qualifying Transaction

On April 25, 2006 the Company signed an option agreement to acquire 100% interest in the Indian Springs Project (Note 5). The acquisition constitutes the Company's qualifying transaction under the policies of the TSX Venture Exchange. In addition, the Company has closed a private placement pursuant to which it has raised \$1,700,000 (Note 10b).

b) Private Placement

On April 25, 2006, the Company completed a partially brokered private placement of an aggregate of 11,333,333 units at a price of \$0.15 per unit, for total proceeds of \$1,700,000. Each unit consisted of one common share without par value and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share in the capital of the Company, exercisable for a period of two years from the date of issuance at a price of \$0.20 per share in the first year and \$0.25 per share in the second year. The Company also issued 200,000 warrants to the agent in connection with the brokered portion of the private placement. The warrants entitle the agent to purchase up to 200,000 common shares of the Company at a price of \$0.20 per share for a period of one year from the date of issuance.

The securities are subject to a hold period and may not be traded until August 26, 2006, except as permitted by Canadian securities legislation and the TSX Venture Exchange.

c) Stock Options Granted

On April 25, 2006 the Company granted 1,300,000 stock options to directors, officers and consultants. Each option is exercisable into one common share at a price of \$0.175 and expire on April 25, 2011.

Also, on May 19, 2006 the Company granted 110,000 stock options to an officer of the Company. Each option is exercisable into one common share at a price of \$0.84 and expires on May 19, 2011.
