

Galway Resources Ltd.
(A Development Stage Company)

Consolidated Financial Statements
December 31, 2006 and 2005

US Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Galway Resources Ltd.

We have audited the consolidated balance sheet of **Galway Resources Ltd.** (the "Company") as at December 31, 2006 and the consolidated statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2005 and for the year then ended were audited by other auditors, who expressed an opinion without reservation on those statements in their report dated March 2, 2006.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C., Canada
April 25, 2007

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

	December 31 2006	December 31 2005 (Restated - Notes 2b and 5)
ASSETS		
Current		
Cash and cash equivalents	\$ 4,480,638	\$ 143,397
Accounts receivable	6,684	355
Prepaid expenses	32,322	6,627
	<u>4,519,644</u>	<u>150,379</u>
Deposits	26,486	-
Equipment (Note 4)	89,521	2,469
Resource Property Costs (Notes 2b and 5)	458,831	-
	<u>\$ 5,094,482</u>	<u>\$ 152,848</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 405,055	\$ 111,828
Due to related parties (Note 8)	74,514	11,043
	<u>479,569</u>	<u>122,871</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)		
Authorized:		
Unlimited common shares without par value		
Issued and outstanding: (Note 6b)		
31,251,809 (2005 - 6,138,000 common shares)	6,789,040	286,589
Contributed Surplus (Note 6a)	1,811,482	36,696
Cumulative Translation Adjustment (Note 2c)	(11,995)	(10,891)
Deficit (Note 2b)	(3,973,614)	(282,417)
	<u>4,614,913</u>	<u>29,977</u>
	<u>\$ 5,094,482</u>	<u>\$ 152,848</u>

ON BEHALF OF THE BOARD:

"Robert Hinchcliffe", Director

"David De Witt", Director

- See Accompanying Notes -

GALWAY RESOURCES LTD.
(A Development Stage Company)
Consolidated Statements of Loss and Deficit
US Dollars

	Year Ended December 31 2006	Year Ended December 31 2005 (Restated - Notes 2b and 5)
Expenses		
Amortization	\$ 32,250	\$ 420
Exploration costs <i>(Consolidated Schedule of Exploration Costs)</i>	2,283,213	159,062
General and administrative expenses	784,286	18,960
Listing and filing fees	75,707	5,466
Professional fees	283,314	38,019
Stock-based compensation	177,763	35,337
Travel	49,900	23,456
Total Expenses	3,686,433	280,720
Other Items		
Interest income	(10,819)	-
Foreign exchange loss	15,583	1,342
	4,764	1,342
Loss for the Year	(3,691,197)	(282,062)
Deficit - beginning of year	(282,417)	(355)
Deficit - End of Year	\$ (3,973,614)	\$ (282,417)
Loss per Share - Basic and Diluted	\$ (0.23)	\$ (0.09)
Weighted Average Number of Common Shares	16,026,705	3,041,186

- See Accompanying Notes -

GALWAY RESOURCES LTD.
(A Development Stage Company)
Consolidated Statements of Cash Flows
US Dollars

	Year Ended December 31 2006	Year Ended December 31 2005 (Restated - Notes 2b and 5)
Cash Resources Provided By (Used In):		
Operating Activities		
Loss for the year	\$ (3,691,197)	\$ (282,062)
Items not affecting cash:		
Amortization	32,250	420
Stock-based compensation	177,763	35,337
	<u>(3,481,184)</u>	<u>(246,305)</u>
Changes in current assets and liabilities:		
Accounts receivable	(6,329)	(347)
Prepaid expenses	(25,695)	(6,627)
Accounts payable and accrued liabilities	293,227	111,828
Due to related parties	63,471	10,660
	<u>(3,156,510)</u>	<u>(130,791)</u>
Investing Activities		
Deposits	(26,486)	-
Purchase of equipment	(119,302)	(2,889)
Resource property acquisition costs (Note 5)	(195,575)	-
	<u>(341,363)</u>	<u>(2,889)</u>
Financing Activities		
Share issuance proceeds, net of financing costs	7,836,218	287,940
	<u>7,836,218</u>	<u>287,940</u>
Effect of foreign exchange rate changes on cash balances	(1,104)	(10,863)
Net Increase (Decrease) in Cash and Cash Equivalents	4,337,241	143,397
Cash and cash equivalents - beginning of year	143,397	-
Cash and Cash Equivalents - End of Year	\$ 4,480,638	\$ 143,397
Schedule of Non-Cash Investing and Financing Activities		
Fair value of warrants exercised	\$ 11,804	\$ -
Shares issued for property acquisition (Notes 5 and 6a)	\$ 263,256	\$ -
Non-cash financing costs	\$ 91,559	\$ -

- See Accompanying Notes -

GALWAY RESOURCES LTD.
(A Development Stage Company)
Consolidated Schedule of Exploration Costs
US Dollars

	Year Ended December 31 2006	Year Ended December 31 2005 (Restated - Notes 2b and 5)
Indian Springs, Nevada, USA		
Assaying and sampling	\$ 130,806	\$ -
Drilling	312,021	-
Environmental consulting	84,198	-
General	51,007	-
Geological and field expenses	342,394	-
Maps, reports and data	81,262	-
Mineral property fees	130,476	-
Supplies	12,090	-
Travel	73,171	-
Wages and salaries	215,034	-
	1,432,459	-
Lone Mountain, Nevada, USA		
General	3,109	-
Geological and field expenses	53,438	-
Mineral property fees	20,355	-
Travel	9,809	-
	86,711	-
Victorio Mountain, New Mexico		
Assaying and sampling	1,013	-
Drilling	212,284	-
Environmental consulting	1,581	-
General	7,591	-
Geological and field expenses	99,396	-
Maps, reports and data	86,792	-
Mineral property fees	21,953	-
Travel	27,723	-
Wages and salaries	17,342	-
	475,675	-

- See Accompanying Notes -

GALWAY RESOURCES LTD.*(A Development Stage Company)***Consolidated Schedule of Exploration Costs, Cont'd***US Dollars*

	Year Ended December 31 2006	Year Ended December 31 2005 (Restated - Notes 2b and 5)
<hr/>		
General Exploration		
Assaying and sampling	634	-
Geological and field expenses	187,944	123,032
General	1,258	-
Maps, reports and data	21,332	36,030
Mineral property fees	11,381	-
Supplies	964	-
Travel	49,458	-
Wages and salaries	15,397	-
	<hr/>	<hr/>
	288,368	159,062
Costs for the Period	<hr/>	<hr/>
	\$ 2,283,213	\$ 159,062

- See Accompanying Notes -

GALWAY RESOURCES LTD.

(A Development Stage Company)

Notes to Consolidated Financial Statements

December 31, 2006

US Dollars

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 completed its qualifying transaction on April 25, 2006 through the incorporation of its wholly owned subsidiary, Galway Resources US Inc. and the acquisition of 100% interest in the Indian Springs Tungsten Project. The Company is a mining exploration company focused on developing its three recently acquired advanced exploration projects.

2. Significant Accounting Policies**a) Basis of presentation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Galway Resources US Inc., Nyak Resources, Inc., Galway Resources Holdco Ltd., Galway Resources (Cayman) Ltd. and Galway Resources (Colombia) Ltd. All significant inter-company transactions and balances have been eliminated.

b) Changes in accounting policies**i) Exploration expenditures and acquisition payments**

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 that 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 required the Company to restate the comparative figures presented in these consolidated financial statements as in the period prior to adoption on January 1, 2006 the Company's policy was to capitalize all mineral acquisition and exploration costs.

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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 year – as previously reported	\$ (239,106)
Restatement for change in accounting policy – exploration expenditures	<u>(43,311)</u>
Deficit, end of year – as restated	<u>\$ (282,417)</u>
Resource Property Costs, end of year – as previously reported	\$ 43,311
Restatement for change in accounting policy – exploration expenditures	<u>(43,311)</u>
Resource Property Costs, end of year – as restated	<u>\$ --</u>

ii) Valuation of warrants

Effective January 1, 2006 the Company has adopted the following accounting policy with respect to the valuation of warrants issued as part of a private placement unit:

The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values as follows:

- The fair value of common shares is based on the market close on the date the units are issued; and
- The fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

c) Change in reporting currency

Effective January 1, 2006 the Company has changed its reporting currency from the Canadian Dollar to the US Dollar. The reason for the change is that management feels the presentation is more useful for financial statement readers due to the increase in the volume of transactions denominated in US Dollars.

The financial statements for the year ended December 31, 2005 have been translated into the reporting currency using the current rate method. Under this method, the statement of operations and the cash flow statement items for each year end period have been translated into the reporting currency using the rates in effect at the date of the transactions, and assets and liabilities have been translated using the exchange rate at the end of the year or period. All resulting exchange differences are reported as a separate component of shareholders' equity entitled cumulative translation adjustment. The impact of this change for the year ended December 31, 2005 was \$10,891.

d) Equipment

Equipment is recorded at cost. The Company provides for amortization of its equipment as follows, with half the rate applied in the year of acquisition:

Office equipment	30%
Computer software	100%
Equipment	30%

e) Resource Property Costs

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 that the property is abandoned. Capitalized costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

The recoverability of the amounts capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

The Company assesses its capitalized resource property costs on a regular basis. A property is written-down or written-off when the Company determines that no further work is warranted. The Company will also reduce its capitalized resource property costs if no active exploration has been conducted on the property for a period of three or more years.

f) Asset Retirement Obligations

The Company is required to recognize a legal liability for obligations relating to retirement of property, plant and equipment, and arising from the acquisition, construction, development or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

As at December 31, 2006 the Company does not have any asset retirement obligations.

g) Income Taxes

The asset and liability method is used for determining future income taxes. Under the asset and liability method, the change in the net future income tax asset or liability is included in income. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company accounting practices, and the periods they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using the statutory income tax rates which are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

h) Share Capital

- i) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.
- ii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values as follows:
 - The fair value of common shares is based on the market close on the date the units are issued; and
 - The fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

i) Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

j) Stock-Based Compensation

The Company applies the fair value method of accounting for stock options. The fair value of the options will be determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option. Cash consideration received from employees on exercise of options is credited to capital stock along with the original grant date fair value of the options exercised. The Company expenses the fair value of stock options granted over the vesting period with the corresponding credit to contributed surplus.

k) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

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I) Foreign Currency Translation

The accounts of the Company have been translated into United States dollars using the current rate method as follows:

- Monetary assets and liabilities at year-end rates;
- All other assets and liabilities at historical rates; and
- Revenue and expense, and exploration and development items at the average rate of exchange prevailing during the year.

All resulting exchange gains and losses arising from these transactions are reflected as a separate component of shareholders' equity entitled Cumulative Translation Adjustment.

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 their capacity of prompt liquidation.

4. Equipment

Details are as follows:

	Cost	Accumulated Amortization	December 31 2006	December 31 2005 (Restated - Note 2b)
Office equipment	\$ 22,271	\$ 4,167	\$ 18,104	\$ 2,469
Computer software	37,628	18,804	18,824	-
Equipment	61,874	9,281	52,593	-
	<u>\$ 121,773</u>	<u>\$ 32,252</u>	<u>\$ 89,521</u>	<u>\$ 2,469</u>

5. Resource Property Costs

Cumulative acquisition costs per project under active exploration:

	December 31 2006	December 31 2005 (Restated - Note 2b)
Indian Springs	\$ 66,488	\$ -
Lone Mountain	232,134	-
Victorio Mountain	160,209	-
	\$ 458,831	\$ -

Indian Springs, Nevada, USA

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 \$300,000 and issuing a total of 2,000,000 Shares to GSI as follows:

- payment of \$12,500 on or before February 15, 2006 (paid);
- issuance of 400,000 Shares on or before April 25, 2006 (issued at a fair value of Cdn\$0.15);
- payment of \$40,000 and issuance of 400,000 Shares on April 25, 2007 (paid and issued subsequent to year end);
- payment of \$60,000 and issuance of 400,000 Shares on April 25, 2008;
- payment of \$75,000 and issuance of 400,000 Shares on April 25, 2009; and
- payment of \$112,500 and issuance of 400,000 Shares on April 25, 2010.

The property will be 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 \$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 \$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 \$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.

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

During the year ended December 31, 2006, the Company staked 92 additional claims. This brings the total number of claims at Indian Springs to 155 unpatented lode mining claims.

Victorio Mountain, New Mexico, USA

The Company has entered into two agreements with regard to the Victorio Mountain Molybdenum-Tungsten Project in New Mexico.

On April 6, 2006, the Company, through its wholly owned subsidiary Nyak Resources, Inc., entered into an instalment sale agreement with Donegan Resources, Inc., to acquire an undivided 100% right, title and interest in and to certain mining claims in the Victorio Mountain Project. Pursuant to the agreement, the Company will acquire its interest in the Victorio Mountain Project by paying an aggregate of \$2,000,000 as follows:

- payment of \$50,000 on the closing date, not later than June 1, 2006 (paid);
- payment of \$100,000 on June 1, 2007;
- payment of \$200,000 on June 1, 2008;
- payment of \$300,000 on June 1, 2009;
- payment of \$350,000 on June 1, 2010; and
- payment of \$1,000,000 on June 1, 2011.

The property will be subject to a net smelter royalty of 2%. In addition, Donegan Resources will be entitled to receive a 1% NSR on any additional properties acquired within the vicinity of the Victorio Mountain Project. This NSR will be reduced to 0.5% royalty on any properties that are subject to an existing royalty in excess of 0.5%.

On June 1, 2006, the Company entered into an option agreement with Hallelujah Resources LLC, South Branch Resources LLC and MRP Geo Company LLC, collectively the "sellers" to acquire an undivided 100% right, title and interest in and to additional mining claims of the Victorio Mountain Project. Pursuant to the agreement, the Company will acquire its interest in these mining claims by paying an aggregate of \$130,000 and issuing 400,000 shares as follows:

- payment of \$15,000 and issuing 50,000 shares on the closing date (paid and issued at a fair value of Cdn\$1.00);
- payment of \$25,000 and issuing 50,000 shares on July 15, 2007;
- payment of \$40,000 and issuing 50,000 shares on July 15, 2008;
- payment of \$50,000 and issuing 50,000 shares on July 15, 2009; and
- issuing 200,000 shares upon the commencement of commercial production.

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(A Development Stage Company)

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On completion of these payments, the Company will own an undivided 100% right, interest and title in these Victorio Mountain Project claims, subject to a net smelter royalty (NSR) of 1% on all primary mining claims excluding the primary mining claim VIC 41 (the "Primary Royalty"). The Company is entitled to purchase 100% of the Primary Royalty for \$500,000, payable as to 50% on completion of a bankable feasibility study and 50% no later than the end of the first full year of commercial production from the primary mining claims.

In addition, there is an NSR of 3% on all secondary mining claims including primary mining claim VIC 41 (the "Secondary Royalty"). The Company is entitled to buy the Secondary Royalty down to 2% for \$1,500,000, payable as to 50% on completion of a bankable feasibility study and 50% no later than the end of the first full year of commercial production from the secondary mining claims.

Lone Mountain, New Mexico, USA

The Company has entered into an option agreement with Hallelujah Resources LLC, South Branch Resources LLC and MRP GEO Company LLC, collectively, the "sellers", to acquire a 100% interest in the Lone Mountain Copper-Zinc Project in Grant County, New Mexico. Pursuant to the agreement, the Company may exercise its right to acquire an undivided 100% legal and beneficial interest in and to the Lone Mountain property by paying an aggregate of \$1,150,000 and issuing a total of 1,380,000 shares to the sellers, as well as committing to incur \$7,000,000 in direct exploration expenditures as follows:

- payment of \$100,000 and issuance of 300,000 shares upon signing (paid and issued at a fair value of Cdn\$0.64);
- payment of \$240,000 and issuance of 300,000 shares on October 11, 2007 and incurring expenditures of \$750,000 by October 11, 2007;
- payment of \$360,000 and issuance of 360,000 shares on October 11, 2008 and incurring expenditures of a further \$1,250,000 by October 11, 2008;
- payment of \$450,000 and issuance of 420,000 shares on October 11, 2009; and
- incurring expenditures of a further \$5,000,000 by October 11, 2011.

Upon completion of these payments, the Company will own an undivided 100% legal and beneficial interest in and to the Lone Mountain property, subject to a floating net smelter royalty (NSR) due to the sellers on future production from Lone Mountain. The NSR varies from 0% to 2%, dependant upon the combined price of copper and zinc. The Company has the option to buy the NSR royalty for \$1,500,000, which can be paid, at the seller's election, in cash, shares or a combination of cash and shares.

Following exercise of the option, the Company will pay \$300,000 annually to the sellers as an advance on the Net Smelter Royalty. The payments will commence on or before the day that is the fourth anniversary of signing the agreement and will continue on each anniversary until the commencement of commercial production.

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Restatement

Comparative period numbers have been restated for the change in accounting policy with respect to exploration expenditures as described in Note 2b. A restatement of \$43,311 was required as management has adopted a change in policy for exploration costs. Previously the Company had capitalized exploration expenditures.

6) Share Capital

a) Details of share capital are as follows:

	Shares <i>(Note 6b)</i>	Amount	Contributed Surplus	Total
Authorized:				
Unlimited common shares without par value				
Issued and fully paid:				
Balance – December 31, 2004	200	\$ 8	\$ --	\$ 8
Shares issued for seed capital	4,137,800	177,512	--	177,512
Shares issued for initial public offering	2,000,000	171,600	--	171,600
Share issuance costs	--	(62,531)	--	(62,531)
Stock-based compensation	--	--	36,696	36,696
Balance – December 31, 2005	6,138,000	286,589	36,696	323,285
Shares issued for private placements	19,607,009	7,239,472	--	7,239,472
Proportional allocation of warrants attached to private placements	--	(1,518,832)	1,518,832	--
Shares issued for property acquisition <i>(Note 5)</i>	750,000	263,236	--	263,236
Shares issued for stock option exercise	12,500	1,877	--	1,877
Shares issued for warrant exercise	4,625,200	793,777	--	793,777
Shares issued for agent's warrant exercise	73,000	12,657	--	12,657
Shares issued for broker option exercise	46,100	3,980	--	3,980
Share issuance costs	--	(213,962)	--	(213,962)
Agent's warrants issued as share issuance costs	--	(91,559)	91,559	--
Stock-based compensation	--	--	176,200	176,200
Fair value of options and warrants exercised	--	11,805	(11,805)	--
Balance – December 31, 2006	31,251,809	\$ 6,789,040	\$ 1,811,482	\$ 8,600,522

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On April 25, 2006, the Company completed a private placement for gross proceeds of Cdn\$1,700,000. Under the agreement, the Company issued 11,333,333 units at a price of Cdn\$0.15 per unit, each unit consisting of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company, exercisable until April 25, 2008, at a price of Cdn\$0.20 per share in the first year and Cdn\$0.25 per share in the second year.

The fair value attributable to the common shares and warrants was \$1,025,685 and \$467,765, respectively.

On August 16, 2006, the Company completed a private placement for gross proceeds of Cdn\$1,618,941. Under the agreement, the Company issued 2,023,676 units at a price of Cdn\$0.80 per unit, each unit consisting of one common share and one-half of a share purchase warrant. Each whole warrant will entitle the holder to purchase one common share of the Company, exercisable until February 15, 2008, at a price Cdn\$1.25 per share.

The fair value attributable to the common shares and warrants was \$1,205,783 and \$247,864, respectively.

On December 6, 2006, the Company completed a private placement for gross proceeds of Cdn\$5,000,000. Under the agreement, the Company issued 6,250,000 units at a price of Cdn\$0.80 per unit, each unit consisting of one common share and one-half of a share purchase warrant. Each whole warrant will entitle the holder to purchase one common share of the Company, exercisable until June 6, 2008, at a price Cdn\$1.25 per share. The warrants will be subject to acceleration in the event the closing trading price of the common shares of Galway on the TSX Venture Exchange is Cdn\$1.70 per share or higher over a period of 20 consecutive trading days beginning one day after the expiry of the four month hold period.

The fair value attributable to the common shares and warrants was \$3,487,297 and \$803,203, respectively.

The fair value of the common share purchase warrants were determined using the Black-Scholes pricing model using the following assumptions:

Average risk-free interest rate	3.83% to 4.16%
Expected dividend yield	0%
Expected stock price volatility	110%
Expected life of warrants	1 to 1.5 years

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. All share information prior to March 24, 2006 has been adjusted 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 determined by the Company's board of directors and in accordance with the policies of the TSX-V. The exercise

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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 December 31, 2006 and the changes for the period are as follows:

Exercise Price	Outstanding December 31, 2005	Granted	Exercised	Expired or Cancelled	Outstanding December 31, 2006	Vested December 31, 2006	Expiry date
Cdn\$0.10	200,000	-	46,100	-	153,900	153,900	October 27, 2007
Cdn\$0.10	400,000	-	-	-	400,000	400,000	October 19, 2010
Cdn\$0.175	-	1,300,000	12,500	25,000	1,262,500	625,000	April 25, 2011
Cdn\$0.84	-	110,000	-	-	110,000	55,000	May 19, 2011
Cdn\$0.81	-	200,000	-	50,000	150,000	-	August 16, 2011
	600,000	1,610,000	58,600	75,000	2,076,400	1,233,900	
Weighted average exercise price	Cdn\$0.10	Cdn\$0.299	Cdn\$0.115	Cdn\$0.598	Cdn\$0.255	Cdn\$0.269	

d) Share Purchase Warrants

Exercise Price	Outstanding December 31, 2005	Granted	Exercised	Expired or Cancelled	Outstanding December 31, 2006	Expiry date
Cdn\$0.20	-	200,000	73,000	-	127,000	April 25, 2007
Cdn\$0.80	-	107,625	-	-	107,625	February 15, 2008
Cdn\$1.25	-	1,011,838	-	-	1,011,838	February 15, 2008
Cdn\$0.20 if exercised in the first year / Cdn\$0.25 if exercised in the second year	-	11,333,333	4,625,200	-	6,708,133	April 25, 2008
Cdn\$1.25	-	3,125,000	-	-	3,125,000	June 6, 2008
Cdn\$0.85	-	86,050	-	-	86,050	June 6, 2008
	-	15,863,846	4,698,200	-	11,165,646	

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e) **Escrow Shares**

As at December 31, 2006, 3,103,500 shares are held in escrow. 413,800 shares were released on April 25, 2006 upon issuance of notice of final acceptance of the Company's Qualifying Transaction by the TSX-V. The remainder will be released in six equal tranches of 15% every six months thereafter for a period of 36 months, of which a further 620,700 were released on October 25, 2006. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

f) **Valuation of Share Purchase Options**

The fair value of options granted were estimated on their grant date using the Black-Scholes option-pricing model with the following assumptions:

	2006	2005
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	110%	110%
Risk-free interest rate	3.83% to 4.20%	3.31% to 3.60%
Expected life of options	1 to 5 years	2 to 5 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.

As of December 31, 2006, the total stock-based compensation related to non-vested options was \$49,450, which is to be recognized over the next two fiscal years.

7. Income Taxes

In Canada and the United States, the Company has non-capital losses for income tax purposes of approximately \$3,745,762 which expire between 2016 and 2024.

Future income tax assets are not recorded for the above tax loss carry-forwards due to complete uncertainty of their recovery. The tax losses may be subject to audit and adjustment by local tax authorities as well as other local regulations. Significant components of the Company's future income tax assets, after applying substantively enacted income tax rates are as follows:

	December 31 2006	December 31 2005 (Restated - Note 2b)
Non-capital losses	\$ 1,275,451	\$ 78,723
Unamortized share issue costs	71,225	17,439
	1,346,676	96,162
Less: valuation allowances	(1,346,676)	(96,162)
	<u>\$ -</u>	<u>\$ -</u>

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8. Related Party Transactions

Related party transactions are as follows:

During the year, \$99,693 (2005 - \$nil) was paid to a company with a director and officer in common for administrative services.

As at December 31, 2006, \$53,535 (2005 - \$10,467) was owed to an officer of the company mostly in respect of an amount owed for a salary bonus. The 2005 amount was in respect of amounts owed for office and travel expenses.

As at December 31, 2006, \$20,137 (2005 - \$461) was owed to a company with a director and officer in common for consulting fees.

As at December 31, 2006, \$842 (2005 - \$576) was owed to a shareholder of the Company in respect of funds deposited with the Company in excess of share capital issued and was repaid subsequent to year end.

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	Other	Total
December 31, 2006					
Segmented operating loss	\$ 466,836	\$ 2,914,060	\$ 301,310	\$ 8,991	\$ 3,691,197
Identifiable assets	\$ 4,505,852	\$ 575,239	\$ 13,391	\$ --	\$ 5,094,482
December 31, 2005 (Restated – Notes 2b and 5)					
Segmented operating loss	\$ 62,204	\$ 129,764	\$ 90,094	\$ --	\$ 282,062
Identifiable assets	\$ 149,777	\$ --	\$ 3,071	\$ --	\$ 152,848

10. Subsequent Events

a) Stock Options Granted

On January 25, 2007, the Company granted 975,000 stock options to certain directors, officers and consultants of the Company at a price of \$0.57 (Cdn\$0.66) for a period of five years. The securities are subject to a four month hold period and may not be traded until May 26, 2007, except as permitted by Canadian securities legislation and the TSX Venture Exchange.

On February 19, 2007, the Company granted 145,000 stock options to an investor relations firm at a price of \$0.71 (Cdn\$0.83) for a period of five years. The securities are subject to a four month hold period and may not be traded until June 20, 2007, except as permitted by Canadian securities legislation and the TSX Venture Exchange.

b) Exercise of Warrants

Subsequent to December 31, 2006 a total of 4,094,999 warrants were exercised at a price of \$0.17 (Cdn\$0.20) for total proceeds to the Company of \$696,150 (Cdn\$819,000).

Subsequent to December 31, 2006, a total of 127,000 agent's warrants were exercised at a price of \$0.17 (Cdn\$0.20) for total proceeds to the Company of \$21,796 (Cdn\$25,400). In addition, a total of 64,175 agent's warrants were exercised at a price of \$0.73 (Cdn\$0.85) for total proceeds to the Company of \$46,808 (Cdn\$54,579).

c) Exercise of Options

Subsequent to December 31, 2006, a total of 220,000 options were exercised at a price of \$0.15 (Cdn\$0.175) for total proceeds to the Company of \$33,037 (Cdn\$38,500).

Subsequent to December 31, 2006 a total of 103,900 shares were issued on partial exercise of broker options at a price of \$0.09 (Cdn\$0.10) for total proceeds to the Company of \$8,916 (Cdn\$10,390).

d) Private Placement

On April 25, 2007, the Company completed a non-brokered private placement of 6,000,000 units at a price of \$0.73 (Cdn\$0.85) for gross proceeds of \$4,376,310 (Cdn\$5,100,000). Substantially all of the financing was subscribed for by a company controlled by Sprott Asset Management Inc. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable for one additional common share at a price of \$1.12 (Cdn\$1.30) per share for a period of 24 months from the date of closing.

The warrants are subject to acceleration in the event the closing trading price of the common shares of the Company on the TSX Venture Exchange is \$1.50 (Cdn\$1.75) per share or higher over a period of 20 consecutive trading days, such period beginning on or after the date that is four months and one day after the date of issuance of the warrants.

A 7% cash finder's fee was paid to Fort House Inc. in connection with the private placement.

The Company intends to use the balance of proceeds of the private placement for the ongoing development of its three US based projects and for general corporate purposes and working capital.

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e) Indian Springs Payment

Subsequent to December 31, 2006, \$40,000 was paid and 400,000 shares were issued in connection with the acquisition of the Indian Springs property (*Note 5*).